Supreme Court, U.S.
FILED

No. 02-__02 428 SEP 11 2002

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IN THE

Supreme Court of the United States

DASTAR CORPORATION,
Petitioner,

v.

TWENTIETH CENTURY FOX FILM CORPORATION,
SFM ENTERTAINMENT LLC, and
NEW LINE HOME VIDEO INC.,
Respondents.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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PETITION FOR A WRIT OF CERTIORARI

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BEST AVAILABLE COPY

QUESTIONS PRESENTED

1. Does the Lanham Act protect creative works from uncredited copying, even without a likelihood of consumer confusion?

2. May a court applying the Lanham Act award twice the defendant's profits for purely deterrent purposes?

RULE 29.6 STATEMENT

Dastar Corporation is the sole petitioner. No publicly held company owns ten percent or more of the corporation's stock.

TABLE OF CONTENTS

	Page
QUESTIONS PRESENTED	i
RULE 29.6 STATEMENT	ii
TABLE OF AUTHORITIES	v
OPINIONS BELOW	1
JURISDICTION	1
STATUTORY PROVISIONS INVOLVED	2
STATEMENT	3
1. Introduction and Summary	3
2. Background of the Case	5
3. Proceedings Below	6
a. District Court	6
b. Court of Appeals	7
REASONS FOR GRANTING THE PETITION	8
I. THE NINTH CIRCUIT'S "BODILY APPROPRIATION" TEST CONFLICTS WITH THE APPROACHES OF OTHER CIRCUITS.	9
A. The Conflict	9
B. The Conflict Is Important	13
1. The significance of the error	13
2. Constitutional issues	16

TABLE OF CONTENTS—Continued

	Page
II. THE CIRCUITS ARE SPLIT ON WHETHER A MONETARY AWARD UNDER THE LANHAM ACT MAY BE MADE AND INCREASED SOLELY FOR PURPOSES OF DETERRENCE	19
A. The Conflict	19
B. The Conflict Is Important	21
CONCLUSION	23

TABLE OF AUTHORITIES

CASES	Page
Adray v. Adry-Mart, Inc., 76 F.3d 984 (9th Cir. 1996)	19
ALPO Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958 (D.C. Cir. 1990)	20
Attia v. Soc'y of N.Y. Hosp., 201 F.3d 50 (2d Cir. 1999)	15
Batiste v. Island Records, Inc., 179 F.3d 217 (5th Cir. 1999)	11
Campbell v. Osmond, 917 F. Supp. 1574 (M.D. Fla. 1996)	10
Cleary v. News Corp., 30 F.3d 1255 (9th Cir. 1994)	9, 11
Debs v. Meliopoulos, No. Civ. 1:90-CV-939-WCO, 1993 WL 566011 (N.D. Ga. Dec. 18, 1991)	10
Douglas v. Cunningham, 294 U.S. 207 (1935)	22
Dowling v. United States, 473 U.S. 207 (1985)	22
George Basch Co. v. Blue Coral, Inc., 968 F.2d 1532 (2d Cir. 1992)	19, 20
Gilliam v. Am. Broad. Cos., 538 F.2d 14 (2d Cir. 1976)	15
Gorenstein Enters. v. Quality Care-USA, 874 F.2d 431 (7th Cir. 1989)	20
Gracie v. Gracie, 217 F.3d 1060 (9th Cir. 2002)	19
Jurgens v. McKasy, 927 F.2d 1552 (Fed. Cir. 1991)	20
King v. Ames, 179 F.3d 370 (5th Cir. 1999)	11
Lamothe v. Atl. Recording Corp., 847 F.2d 1403 (9th Cir. 1988)	10, 13, 14
Lindy Pen Co. v. Bic Pen Corp., 982 F.2d 1400 (9th Cir. 1993)	19
Lipscher v. LRP Publ'ns, Inc., 266 F.3d 1305 (11th Cir. 2001)	10

TABLE OF AUTHORITIES—Continued

	Page
Litchfield v. Spielberg, 736 F.2d 1352 (9th Cir. 1984)	10
Metric & Multistandard Components Corp. v. Metric's, Inc., 635 F.2d 710 (8th Cir. 1980)	20
Montgomery v. Noga, 168 F.3d 1282 (11th Cir. 1999)	10
Murray Hill Publ'ns, Inc. v. ABC Communications, Inc., 264 F.3d 622 (6th Cir. 2001)	10
Playboy Enters. v. Baccarat Clothing Co., 692 F.2d 1272 (9th Cir. 1982)	19
Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492 (2d Cir. 1961)	12
PS Promotions, Inc. v. Stern, 2000-1 Trade Cas. (CCH) ¶ 72,827 (M.D. Ill. Mar. 8, 2000)	11
Robinson v. New Line Cinema Corp., 42 F. Supp. 2d 578 (D. Md. 1999), *rev'd mem.*, 211 F.3d 1265 (4th Cir. 2000)	10
Sands, Taylor & Wood v. Quaker Oats Co., 34 F.3d 1340 (1994), *modified in other part on reh'g*, 44 F.3d 579 (7th Cir. 1995)	22
Shaw v. Lindheim, 919 F.2d 1353 (9th Cir. 1990)	9
Smith v. Montoro, 648 F.2d 602 (9th Cir. 1981)	*passim*
Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417 (1984)	16
SquirtCo v. Seven-Up Co., 628 F.2d 1086 (8th Cir. 1980)	12
Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys., 7 F.3d 1434 (9th Cir. 1993)	13
TrafFix Devices, Inc. v. Mktg. Displays, Inc., 532 U.S. 23 (2001)	4, 8, 16, 17

TABLE OF AUTHORITIES—Continued

	Page
Waldman Publ'g Corp. v. Landoll, Inc., 43 F.3d 775 (2d Cir. 1994)	9, 10, 11
Wooley v. Maynard, 430 U.S. 705 (1977)	18
Zadvydas v. Davis, 533 U.S. 678 (2001)	19

STATUTES

15 U.S.C. § 1117(a)	*passim*
15 U.S.C. § 1125(a)	*passim*
17 U.S.C. § 102(a)	17
17 U.S.C. § 106A(a)	16
28 U.S.C. § 1254(1)	1

OTHER AUTHORITIES

John T. Cross, *Giving Credit Where Credit is Due: Revisiting the Doctrine of Reverse Passing Off in Trademark Law*, 72 Wash. L. Rev. 709 (1997)	12, 13
James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 Trademark Rep. 458 (1983)	22
Joseph H. Golant & Jodi M. Solovy, *Discrimination Against Authors and Artists - The Ninth Circuit and Section 43(a)*, 33 Beverly Hills B.J. 35 (2000)	12
Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* (2002)	17
Rudolph Stuart Sergent, *Building Reputational Capital: The Right of Attribution Under Section 43 of the Lanham Act*, 19 Colum.-VLA J.L. & Arts 45 (1995)	12

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PETITION FOR A WRIT OF CERTIORARI

Dastar Corporation respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The unpublished memorandum disposition of the court of appeals is available at 34 Fed. Appx. 312 and 2002 WL 649087. (App. A at 1a-6a.) The decisions of the district court are unreported. (App. B at 7a-29a; App. C at 30a-55a.)

JURISDICTION

The court of appeals denied Dastar's petition for rehearing on June 13, 2002. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1) (2000).

STATUTORY PROVISIONS INVOLVED

1. The statute relevant to Question 1 is section 43(a)(1) of the Lanham Act, 15 U.S.C. § 1125(a)(1) (2000), which provides:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or misleading representation of fact, which—
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
>
> (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is likely to be damaged by such act.

2. The statute relevant to Question 2 is section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a) (2000), which provides:

> When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, or a violation under section 1125(a), (c), or (d) of this title, or a willful violation under 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover

> (1) defendant's profits, (2) any damages sustained by plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

STATEMENT

1. Introduction and Summary

In 1981, the Ninth Circuit created—more or less from whole cloth—a new cause of action under the Trademark Act of July 5, 1946, commonly known as the Lanham Act. In *Smith v. Montoro*, 648 F.2d 602 (9th Cir. 1981), the court held that a motion picture distributor had, by deleting an actor's name from the film's credits and substituting the name of another, made a "false designation of origin" within the meaning of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). At that time, the Lanham Act had long been read to prohibit producers of merchandise from "passing off" their goods by attaching the name or trademark of another manufacturer. *Montoro*, 648 F.2d at 604. With less frequency, the courts had also recognized "reverse passing off," in which the defendant sells a manufactured item as his own after removing the actual manufacturer's name or mark.

Id. at 605. Improperly removing credit for an actor in a movie, the court in *Montoro* reasoned, was a similar kind of "reverse passing off." In each case, the origin of the product had been falsely designated. *Id.* at 606-07.

In the more than twenty years since *Montoro*, cases barring removal of credits from creative works have multiplied across the country. Perhaps not surprisingly, this novel requirement has enjoyed anything but uniform application by the courts of appeals.

This petition presents two issues on which the courts of appeals have sharply divided.

The first is whether liability under this Lanham Act doctrine depends solely on the extent to which a defendant has copied the plaintiff's work or whether it depends on consideration of the traditional marketplace factors designed to measure the likelihood of consumer confusion.

The second is whether monetary relief may be awarded and enhanced purely as a deterrent to further infringement—even when the plaintiff suffered no harm—or whether some compensatory purpose must be served by the award.

In addition to those two conflicts, this case raises the important question of how to reconcile laws protecting intellectual property with the first amendment and the patent and copyright clause of the Constitution. In this regard, the current petition is directly related to a case soon to be argued before this Court, *Eldred v. Ashcroft*, No. 01-618, and it raises, in a copyright rather than patent context, a question that this Court reserved last Term: whether the Lanham Act can extend the term of intellectual property protection granted under the patent and copyright clause of the Constitution. *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 35 (2001).

2. Background of the Case

In the late 1940s, respondent Twentieth Century Fox ("Fox") retained Time, Inc. to produce a television series about World War II. (Time, which was not a party below, assigned its copyright in this television series to Fox.) The series, titled *Crusade in Europe*, was based on a book written by General Dwight Eisenhower and published in 1948 by Doubleday.

When the time came in the 1970s to renew the copyright in the television series, Fox failed to do so. Doubleday did purport to renew the copyright in General Eisenhower's memoirs in its own name, claiming that his book was a work for hire.

In the 1990s, another respondent, New Line, began distributing a videocassette series that incorporated much of the Fox/Time television series under sublicense from Fox. Some time later, with the Fox/Time series now in the public domain, Dastar obtained a copy of the 1940s television series and produced and released a competitive videocassette version of it. Dastar's version, called *Campaigns in Europe*, was a bit more than half as long as the television series, and nearly an hour shorter than the New Line videocassettes. Dastar's product contained about thirty minutes of new footage, including a new narrated opening title sequence and new narrated chapter heading sequences. Dastar also modified the order of the footage from the television series. (App. C at 45a.) Dastar's credits listed only the Dastar staff who actually produced the Dastar series; they did not mention Fox, New Line, or SFM Entertainment LLC, the remaining respondent.

In response to the distribution of Dastar's series, respondents sued, asserting two principal claims. One was that Dastar had violated the Lanham Act as interpreted in *Montoro*. Respondents argued that Dastar could not lawfully distribute its videocassettes without giving credit to those

involved in the New Line videocassettes. The failure to give credit, respondents argued, constituted a "false designation of origin" under the Lanham Act. Respondents' other claim alleged infringement of the copyright in General Eisenhower's book (not the expired copyright in the television series).

3. Proceedings Below

a. District Court

The United States District Court for the Central District of California rendered two decisions for respondents: the first granted summary judgment against Dastar on liability (App. C at 46a-54a), and the second assessed monetary relief after a trial (App. B at 22a-27a.)

The district court granted summary judgment for respondents as to liability under the Lanham Act. The court held that, notwithstanding its substantial differences, Dastar's series was a "bodily appropriation" of the New Line videos, and that Dastar's failure to "credit" respondents constituted reverse passing off in violation of the Act. (App. C at 51a-53a.) At the remedies trial, respondents presented no evidence that they were damaged. Nevertheless, the court awarded respondents an amount equal to Dastar's profits from its videos, approximately $783,000. (App. B at 27a.)

Declaring that the Lanham Act authorized it "to treble or otherwise increase an award of defendants' profit in order to deter future infringing conduct," the district court doubled its award on the ground that Dastar's violation of the Lanham Act was willful. (App. B at 27a.) The result was an award substantially in excess of Dastar's entire gross revenue from its videos, about $875,000. (App. B at 22a.)

In a ruling that the Ninth Circuit later reversed, the district court also granted summary judgment holding Dastar liable for copyright infringement. The court held that respondents

could enforce rights under Doubleday's asserted copyright in General Eisenhower's book because he had written it as a work for hire. (App. C at 46a-50a.) As damages on the copyright claim, the court awarded respondents their choice of Dastar's full profits ($783,000 again) or maximum statutory damages of $150,000. (App. B. at 24a.)

b. Court of Appeals

The Ninth Circuit affirmed in part and reversed in part. The court found disputed evidence as to whether General Eisenhower's memoirs were a work for hire. Because respondents' copyright claim hinged on this issue, the court reversed in its entirety the grant of summary judgment on that claim, and remanded it for trial. (App. A at 2a-3a.)

On the Lanham Act claim, in contrast, the Ninth Circuit affirmed across the board, and its final resolution of that claim will not be affected by trial of the remanded copyright claim. In a holding entirely independent of any alleged copyright violation, the court concluded that Dastar was liable for reverse passing off because its product "bodily appropriated" the original series without attribution to respondents. (App. A at 3a.) It rejected Dastar's argument that liability required a showing of likely consumer confusion about the source of its videos. The court found proof of likely confusion unnecessary "because the 'bodily appropriation' test subsumes the 'less demanding "consumer confusion" standard.'" (App. A at 3a-4a.)

Finally, the court of appeals affirmed the district court's award under the Lanham Act of *twice* the amount of Dastar's profits, concluding that the award may be made and then doubled "in order to deter future infringing conduct by Dastar—a permissible ground under the Lanham Act." (App. A at 4a.) The court ordered a double disgorgement of profits based on Dastar's copying of the videos without attribution—even though the television series from which Dastar had derived its product was in the public domain.

REASONS FOR GRANTING THE PETITION

The decision of the Ninth Circuit deepens two conflicts among the circuits. First, by basing liability under the Lanham Act on "bodily appropriation" of the original series, the Ninth Circuit diverges from other circuits, some of which impose liability based on whether the two works are substantially similar and others of which rely on the traditional multi-factor test designed to examine whether omission of credits has caused a likelihood of consumer confusion. This conflict is sharp, acknowledged, and longstanding.

Second, by holding that deterrence alone justifies the district court's decision both to make and to double an award of profits, the Ninth Circuit's decision further widens the gulf between those circuits that approve monetary awards under the Lanham Act for purposes of deterrence and those that insist that they must rest on a compensatory basis.

These issues are of great importance. They implicate two constitutional issues on which this Court has recently granted *certiorari*. The first, reserved last Term in *TrafFix Devices*, is the scope of Congress's authority to supplement its patent and copyright power through the commerce clause. The obligations imposed by the Ninth Circuit apply even when the underlying work is no longer, or never was, protected by copyright. (Indeed, an author protected by copyright will have no difficulty demanding adequate credit in exchange for licensing those who want to copy the work, and does not require additional leverage under the Lanham Act.) The *Montoro* doctrine thus gives authors eternal protection against uncredited copying of their work, in a manner inconsistent with the durational limitation imposed by the patent and copyright clause.

The second constitutional issue, before the Court this Term in *Eldred v. Ashcroft*, concerns the role of the first

amendment in construing intellectual property law. The Ninth Circuit here imposed a penalty on Dastar for failure to include ill-defined, government-mandated "credits" in its video series. This requirement heavily burdens those who wish free access to the public domain, both as listeners and as speakers.

I. THE NINTH CIRCUIT'S "BODILY APPROPRIATION" TEST CONFLICTS WITH THE APPROACHES OF OTHER CIRCUITS.

A. The Conflict

The Ninth Circuit's reliance on "bodily appropriation" as a basis for Dastar's liability perpetuates a longstanding and well-recognized conflict between the Ninth Circuit and other circuits in "reverse passing off" cases. In the Ninth Circuit, liability under the *Montoro* doctrine is automatic if the derivative work is a "bodily appropriation" of the original and does not give appropriate credit to the creator of the original. *Cleary v. News Corp.*, 30 F.3d 1255, 1267 (9th Cir. 1994); *Shaw v. Lindheim*, 919 F.2d 1353, 1364 (9th 1990).

Other circuits disagree. The Second Circuit has criticized the "bodily appropriation" test, favoring instead a requirement that the two works show "substantial similarity." *Waldman Publ'g Corp. v. Landoll, Inc.*, 43 F.3d 775, 784 (2d Cir. 1994). "[T]he Ninth Circuit has held that in the context of reverse passing off, consumer confusion is caused only by the false designation of works that are 'bodily appropriations' of the originals. . . . We see no reason for such a bright-line rule." *Id.* (citations to *Shaw* and *Cleary* omitted).

This is not a glancing or casual conflict. The Ninth Circuit embraced the "bodily appropriation" standard deliberately—and with the clear understanding that it entailed a rejection of

the separate "substantial similarity" test.[1] Numerous courts have since recognized the conflict. *See, e.g., Montgomery v. Noga*, 168 F.3d 1282, 1299 n.27 (11th Cir. 1999) (noting distinct Ninth and Second Circuit tests); *Campbell v. Osmond*, 917 F. Supp. 1574, 1583 (M.D. Fla. 1996) (rejecting the Ninth Circuit test because "this Court finds the rationale in *Waldman* more persuasive than *Shaw*"); *Robinson v. New Line Cinema Corp.*, 42 F. Supp. 2d 578, 597 n.31 (D. Md. 1999) (recognizing "the split between the Ninth Circuit . . . the Second Circuit" in *Shaw* and *Waldman*), *rev'd mem.*, 211 F.3d 1265 (4th Cir. 2000).

As the conflict has festered, a third approach has emerged —or, more properly, reemerged. Some courts are "rejecting any requirement of either bodily appropriation or substantial similarity and focusing instead on likelihood of confusion." *Montgomery*, 168 F.3d at 1299 n.27 (citing *Debs v. Meliopoulos*, No. Civ. 1:90-CV-939-WCO, 1993 WL 566011, at **12-13 (N.D. Ga. Dec. 18, 1991)).

The Sixth Circuit, for example, does not treat "bodily appropriation" as a proxy for likely consumer confusion in reverse passing off cases. In *Murray Hill Publications, Inc. v. ABC Communications, Inc.*, 264 F.3d 622 (6th Cir. 2001), the defendant incorporated a full performance of the plaintiff's song into its own recording without providing credit to the plaintiff. The Sixth Circuit nonetheless found no Lanham Act violation, relying on the plaintiff's failure to present "any evidence of consumer confusion." *Id.* at 634.

The same is true in the Eleventh Circuit. In *Lipscher v. LRP Publications, Inc.*, 266 F.3d 1305 (11th Cir. 2001), the plaintiff was a jury verdict reporter whose reports were obtained surreptitiously and incorporated into a competitor's verdict service without proper credit. Despite this direct

[1] *See Litchfield v. Spielberg*, 736 F.2d 1352, 1358 (9th Cir. 1984); *Lamothe v. Atl. Recording Corp.*, 847 F.2d 1403, 1405 n.1 (9th Cir. 1988).

"bodily appropriation," the Eleventh Circuit ruled that examination of all factors supported the lower court's conclusion that there was no likelihood of confusion. *Id.* at 1313. The Eleventh Circuit specifically held that great product similarity alone does not suffice to establish likelihood of confusion. *Id.* at 1313-14.

The Fifth Circuit likewise declines to follow the Ninth. *See King v. Ames*, 179 F.3d 370, 374 (5th Cir. 1999) (no reverse passing off absent evidence that improper credit affected purchasers); *Batiste v. Island Records, Inc.*, 179 F.3d 217, 225 (5th Cir. 1999) (no reverse passing off absent consumer confusion from improper credits). *See also PS Promotions, Inc. v. Stern*, 2000-1 Trade Cas. (CCH) ¶ 72,827, at 87,093-97 (N.D. Ill. Mar. 8, 2000) (applying multi-factor analysis to *Montoro*-style claim).

This third approach represents nothing less than the reemergence of traditional Lanham Act jurisprudence. Section 43(a)(1) of the Act says nothing about bodily appropriation or substantial similarity. As the Ninth and Second Circuits have conceded, these concepts were borrowed from copyright doctrine.[2] The Lanham Act, in contrast, prohibits false designations of origin only if they are "likely to cause confusion, or to cause mistake, or to deceive as to . . . the origin" of the goods. 15 U.S.C. § 1125(a)(1)(A). Unlike the Ninth Circuit, the courts that focus on likelihood of confusion recognize the continuing validity of this statutory requirement. Their decisions measure likelihood of confusion by reference to trademark law's traditional set of

[2] *See Cleary*, 30 F.3d at 1261 (borrowing bodily appropriation standard from "the copyright context"); *Waldman*, 43 F.3d at 783 (applying substantial similarity standard "essentially" the same as that "used to show copyright infringement").

non-exclusive factors.[3] Commentators agree with this multi-factor approach in "reverse passing off" cases.[4]

The differences among the three tests can be crucial. In some cases, the Ninth Circuit's single-minded focus on bodily appropriation favors defendants. But not always. As the cases cited above from other circuits demonstrate, the traditional multi-factor analysis may show no likelihood of confusion even where there had been a bodily appropriation of the underlying work. Because the Ninth Circuit held that the bodily appropriation obviated any further inquiry into confusion, Dastar was deprived of an opportunity to present a strong defense that defendants in other circuits would be allowed: that few if any consumers know or care who distributed the New Line videos, and that not a single consumer has been confused. In such circumstances, the absence of a credit for respondents can hardly be "likely to cause confusion, or to cause mistake, or to deceive" consumers. 15 U.S.C. § 1125(a)(1).

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[3] As set forth in the seminal case of *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961), the factors include "the strength of [the plaintiff's] mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers." *Id.* at 495. No one factor is given conclusive weight; rather, there must be "a consideration of numerous factors to determine whether under all the circumstances there is a likelihood of confusion." *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980).

[4] *See, e.g.*, John T. Cross, *Giving Credit Where Credit is Due: Revisiting the Doctrine of Reverse Passing Off in Trademark Law*, 72 Wash. L. Rev. 709, 736-43 (1997); Randolph Stuart Sergent, *Building Reputational Capital: The Right of Attribution Under Section 43 of the Lanham Act*, 19 Colum.-VLA J.L. & Arts 45, 63-64 (1995); Joseph H. Golant & Jodi M. Solovy, *Discrimination Against Authors and Artists—The Ninth Circuit and Section 43(a)*, 33 Beverly Hills B.J. 35, 39-42 (2000).

If *Montoro* deserves any vitality, it must depend on the notion that failure to credit the creator of the underlying work has caused confusion that will significantly diminish the creator's reputation, e.g., here, that consumers will be less likely to view other films or programs distributed by respondents if they are deprived of the information that respondents were involved with the New Line videos. All the evidence—were it considered—would show that this information would add nothing to respondents' overall reputation. Exploration of this issue, however, was foreclosed by the Ninth Circuit's standard.

B. The Conflict Is Important.

1. The significance of the error

The divergence among the circuits demonstrates the folly of creating a cause of action so far removed from any statutory basis. Commentators have recognized that "reverse passing off" has little or no basis in the Act or in policy. *See, e.g.*, Cross, *supra* note 4, at 737-42.

Montoro substantially overplays this already weak hand. First, the Lanham Act is intended to prevent public confusion as to the source or sponsorship of goods or services. *See* 15 U.S.C. § 1125(a)(1)(A). Yet, in applying its *Montoro* doctrine, the Ninth Circuit is less concerned with preventing actual confusion or deception than with protecting creative works from what the court considers "misappropriation."[5]

Second, the *Montoro* rule has the real-world effect of greatly extending the Copyright Act's limited term of protection for creative works, even though perpetual

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[5] *See, e.g., Montoro*, 648 F.2d at 607 ("As a matter of policy, such conduct . . . is wrongful because it involves an attempt to misappropriate or profit from another's talents and workmanship."); *Summit Mach. Tool Mfg. Corp. v. Victor CNC Sys.*, 7 F.3d 1434, 1437 (9th Cir. 1993); *Lamothe*, 847 F.2d at 1406-07.

constraints on copying have little or nothing to do with the Lanham Act's prohibition on "false designation" of the "origin" of goods or services. While, in theory, the *Montoro* rule is not directed at copying *per se*, the practical and intended effect of the rule is to prevent what copyright law permits and encourages—the unfettered use of public domain works. Thus, in this case, the district court ordered the double disgorgement of all of Dastar's profits because it had failed to give proper credits, even though the court had already found that the profits were entirely attributable to Dastar's use of purportedly copyrighted literary material from General Eisenhower's book and nothing else. (App. B at 23a.) This reasoning conflates the Lanham Act's concern for confusion about source with the Copyright Act's concern for who benefits from the exploitation of protected works. In this environment, the risk of double or even treble disgorgements of profits is a strong deterrent to *any* use of public domain works.

The chilling effect on copying derives from the inherent ambiguity of the *Montoro* rule on the question of who is entitled to attribution, and in what form. Giving credit where credit is eventually determined to be due is not a simple matter. *Montoro* involved the substitution of a credit for a *single* actor in a movie. The Ninth Circuit subsequently held that providing a *partial* list of a song's coauthors is as bad as providing a false list. *Lamothe v. Atl. Recording Corp.*, 847 F.2d 1403, 1406-07 (9th Cir. 1988). One is left to ask how long a list is required to satisfy this judicially mandated credit requirement. In the case of a movie or television production, would it include studio musicians, or cameramen, or former rightsholders? Only time, and far more litigation, will tell.

Moreover, anyone who chooses to make use of public domain material faces a quandary as to how to craft credits that attribute a modified product to the original creators so as to avoid charges of reverse passing off, while including

sufficient disclaimers of *lack* of association to avoid claims of *direct* passing off by persons claiming that use of their names in derivative works traded on their goodwill. *Cf. Gilliam v. Am. Broad. Cos.*, 538 F.2d 14, 24 (2d Cir. 1976) (broadcasting heavily edited version of *Monty Python's Flying Circus* without appropriate disclaimer that authors had not approved editing amounted to violation of section 43(a)). Rather than steer between this Scylla and Charybdis, the only safe course is simply not to use the public domain material—a result contrary to the policies of the Copyright Act as well as the patent and copyright clause and the first amendment.

In such cases, the prevention of copying through the Lanham Act is not an incidental effect; it is the purpose of the suit. Respondents' Lanham Act claim is an adjunct to a flawed copyright claim based on General Eisenhower's underlying memoirs. It is designed to prevent use of the 1940s television series in competition with respondents, not to secure public acknowledgment of any roles they played. Indeed, as some courts have candidly recognized, the *Montoro* line of cases is in fact a judge-made supplement to the Copyright Act.[6] The adverse effects of borrowing a standard such as "bodily appropriation" from copyright law to apply section 43(a)(1) of the Lanham Act demonstrate the wisdom of this Court's determination that the two distinct areas of intellectual property law should be kept separate.[7]

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[6] For example, the Second Circuit reasoned that if its "adoption of the 'substantial similarity' test in the context of reverse passing off were not the rule, the principle of copyright that denies protection to ideas, concepts, and processes would become a dead letter . . . . We do not think Congress intended that an obscure corner of the Lanham Act should be interpreted to nullify a fundamental precept of the Copyright Act." *Attia v. Soc'y of N.Y. Hosp.*, 201 F.3d 50, 60 (2d Cir. 1999).

[7] Although there is a "historic kinship between patent law and copyright right law," the Court has "consistently rejected the proposition that a similar kinship exists between copyright law and trademark law. . . ."

Ironically, the sweeping and uncharted obligation imposed by *Montoro* stands in stark contrast to the much more limited remedy created by Congress when it actually considered the issue. In 1990, Congress amended the Copyright Act to provide for a right of attribution of authorship, but limited that right to a narrow category of works of visual art, and limited the duration of that right to a period shorter than the usual copyright term. 17 U.S.C. § 106A(a), (d). In contrast, the *Montoro* doctrine creates a perpetual right of attribution for all works, even those in the public domain.

2. Constitutional issues

Because *Montoro* extends protection against copying well beyond what is available under copyright law, this case necessarily raises in the copyright context an issue that this Court considered and ultimately reserved last year in the context of patent protection. In *TrafFix Devices*, the issue was whether Lanham Act protection covered a product even after its patent expired. Invoking the patent and copyright clause, the petitioner argued that Congress had no power to extend the term of a patent by giving Lanham Act protection to the formerly patented design.[8] This Court ultimately

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Sony Corp. of Am. v. Universal City Studios, Inc., 464 U.S. 417, 439 & n.19 (1984). Even as to patent and copyright law, the Court exercises "caution . . . in applying doctrine formulated in one area to the other." *Id.* at 439 n.19.

[8] The petitioner's argument is *TrafFix Devices* was *mutatis mutandis* identical to Dastar's argument here:

> The Lanham Act is a product of Congress' Commerce Clause authority, not its patent power. While potent, the Commerce Clause does not empower Congress to override the express limits in other parts of the Constitution. . . . Thus, in establishing trade dress protection under Section 43(a), the Commerce Clause does not empower Congress to establish what are, in essence, patent monopolies of unlimited times.

Br. for Pet'r at 36, *TrafFix Devices* (No. 99-1571) (citations omitted).

concluded that Lanham Act protection was not available to the product in question, 532 U.S. at 35, and found it unnecessary to resolve whether "the Patent [and Copyright] Clause of the Constitution, of its own force, prohibits the holder of an expired utility patent from claiming trade dress protection," and noted that there "will be time enough to consider the matter" in a later case. *Id.*

That open question remains even more crucial for copyrights than for patents.[9] In *TrafFix Devices*, the bar against trade dress protection for functional features limited the universe of cases "in which trade dress becomes the practical equivalent of an expired utility patent." *Id.* at 35. Copyright, however, is available for essentially all expressive material without regard to functionality (*see* 17 U.S.C. § 102(a)), and there is a specter that, once the copyright term expires, *all* expired copyrights will be able to enjoy perpetual projection through the back door recognized by the Ninth Circuit under the Lanham Act.

Technological advances such as desktop publishing and the Internet now allow the public to make more extensive use of the public domain by incorporating old works into new ones and then distributing these new works to audiences not previously served by mass markets. *Montoro* imposes a direct and unending burden on speakers and listeners who want unfettered access to the public domain. In the Ninth Circuit, at least, it is not a defense that the public long ago

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[9] "The same considerations that doomed trade dress protection in [*TrafFix Devices*] could be argued to operate in the copyright sphere as well. In other words, as part of the constitutional trade-off for obtaining copyright protection, the argument lies that, once expiration occurs, the work belongs to the public; for the erstwhile proprietor to urge a different legal theory at that juncture betrays the bargain by which it initially secured a governmentally sanctioned monopoly in the subject work." 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* ¶ 66.14 (2002).

lost (or never had any) interest in the original work and its authors; a lack of consumer confusion is irrelevant if the original has been "bodily appropriated."

The limiting force of the first amendment on intellectual property protection may well be addressed in *Eldred*. If this Court determines in *Eldred* that first amendment considerations limit Congress's authority to extend intellectual property protection, it follows that perpetual judge-made exceptions are equally constrained. Indeed, no matter the outcome in *Eldred*, the first amendment concerns raised by *Montoro* deserve this Court's review. Not only does the doctrine trench on first amendment interests of speakers and listeners by imposing an enduring restriction on the public domain, it also constitutes a new form of enforced speech, requiring that anyone who wishes to use a work make a detailed, government-mandated disclosure of the work's "origin." *Cf. Wooley v. Maynard*, 430 U.S. 705 (1977).

Such compelled speech is particularly troublesome because, as described above, the scope of the required credits is dangerously vague and can be determined only after costly litigation, and the price of error can be trebled damages or profits, even though the material used was in the public domain. No speaker could have predicted, before *Montoro*, that the "origin" of a film means an accurate list of the actors it features. Nor could Dastar have been expected to know in this case that it was obliged to give credit to companies like Fox and New Line whose only roles as to the original video product were licensor and distributor, or that the price of its failure would be double disgorgement of all its profits. This is a scheme fraught with first amendment concerns.

If the Lanham Act actually imposed such a doctrine, its constitutionality would be in grave doubt. In fact, however, the Lanham Act can barely be tortured into lending support to *Montoro*. A simple respect for the meaning of the words Congress chose should be sufficient to sweep the doctrine

away, but if more is needed, this is a classic case for invoking the presumption against interpreting a statute in a fashion that will give rise to doubts about its constitutionality. *E.g.*, *Zadvydas v. Davis*, 533 U.S. 678, 689 (2001).

II. THE CIRCUITS ARE SPLIT ON WHETHER A MONETARY AWARD UNDER THE LANHAM ACT MAY BE MADE AND INCREASED SOLELY FOR PURPOSES OF DETERRENCE.

A. The Conflict

The other circuit split presented by this case concerns the role of deterrence in awarding monetary relief under the Lanham Act. The relief ordered by the district court was double the entire profits that Dastar earned from its video series. This award was affirmed by the court of appeals, which declared that the district court "considered the circumstances of the case, as required by section 1117(a), and doubled the award in order to deter future infringing conduct by Dastar—a permissible ground under the Lanham Act." (App. A at 4a (citing *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400 (9th Cir. 1993); *Playboy Enters. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1274 (9th Cir. 1982)).) *See also Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2002) (willfulness is sufficient for awarding profits).[10]

This is established law in the Ninth Circuit, which a decade ago announced that it was adopting "a deterrence policy in response to trademark infringement . . . ." *Lindy Pen*, 982 F.2d at 1406; *see Adray v. Adry-Mart, Inc.*, 76 F.3d 984, 988

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[10] The Second Circuit held that under "[t]he rule in this circuit," a plaintiff may obtain an accounting for profits under the Lanham Act where, for example, it "'is necessary to deter a willful infringer from doing so again,'" and that "willfulness expressly defines the third rationale (deterrence)." *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992) (citation and quotation mark omitted).

(9th Cir. 1996) (likelihood of confusion plus willfulness justify an award of profits). The Second Circuit follows the Ninth Circuit's approach. *George Basch Co. v. Blue Coral, Inc.*, 968 F.2d 1532, 1537 (2d Cir. 1992). The Seventh Circuit has also approved enhancement for the sole purpose of punishing deliberate infringement. *Gorenstein Enters. v. Quality Care-USA*, 874 F.2d 431, 436 (7th Cir. 1989) (enhancement provisions "are properly invoked when, as in this case, the infringement is deliberate").

But the approach of these circuits diverges starkly from that of the D.C. Circuit, which has declared with equal certainty that because "deterrence is too weak and too easily invoked a justification for the severe and often cumbersome remedy of a profits award . . . , we hold that deterrence alone cannot justify such an award." *ALPO Petfoods, Inc. v. Ralston Purina Co.*, 913 F.2d 958, 969 (1990). The Eighth Circuit has similarly recognized that, under 15 U.S.C. § 1117(a), "the district court is given broad discretion to award the monetary relief necessary to serve the interests of justice, provided it does not award such relief as a penalty." *Metric & Multistandard Components Corp. v. Metric's, Inc.*, 635 F.2d 710, 715 (8th Cir. 1980). In applying Eighth Circuit law, the Federal Circuit put a finer point on the conflict, expressly taking issue with Seventh Circuit precedent that "allowed the trebling of damages to penalize willful infringers," and holding that "the district judge may increase damages, 'providing it does not award such relief as a penalty.'" *Jurgens v. McKasy*, 927 F.2d 1552, 1564 (Fed. Cir. 1991) (quoting *Metric* and rejecting *Gorenstein*). The court reversed enhancement to deter the defendant's conduct because that "is an impermissible reason for increasing Lanham Act damages." *Id.* at 1564.

No compensatory rationale can be found in the present case. The district court awarded an amount equal to Dastar's profits even though all of those profits had already been

specifically attributed not to Dastar's "reverse passing off" but to its use of literary material from General Eisenhower's book. (App. B at 23a.) Similarly, the court doubled that amount because "defendants' infringement was willful." (App. B at 27a.) In upholding those determinations, the Ninth Circuit reaffirmed that profits may be enhanced solely to deter: "doubl[ing] the award in order to deter future infringing conduct by Dastar [is] a permissible ground under the Lanham Act." (App. A at 4a.) This case thus presents an opportunity for the Court to resolve the conflict among the circuits over whether, under the Lanham Act, profits may be awarded and enhanced solely to deter infringing conduct.

B. The Conflict Is Important

Courts that elevate deterrence in this fashion have deviated not just from other circuits but also from Congress's intent and this Court's teachings. The Lanham Act expressly authorizes courts to "enhance" awards of monetary relief, but in the very next sentence provides that the resulting award must be compensatory, *not punitive*: "Such sum in either of the above circumstances shall constitute compensation and not a penalty." 17 U.S.C. § 1117(a).

By treating deterrence as sufficient to monetary relief and, indeed, warrant enhancement, courts find themselves forced to read this provision either as surplusage or as a Congressional effort to incorporate a legal fiction into the Act. In so doing, they ignore a more plausible interpretation adopted by this Court when it construed a similar "not a penalty" clause in the Copyright Act:

> The phraseology of the section was adopted to avoid the strictness of construction incident to a law imposing penalties, and to give the owner of a copyright some recompense for injury done him, in a case where the

rules of law render difficult or impossible proof of damages or discovery of profits.

Douglas v. Cunningham, 294 U.S. 207, 209 (1935). Strict construction of penal provisions remains the rule. *See, e.g., Dowling v. United States*, 473 U.S. 207, 213 (1985).

That reasoning is equally applicable to the "not a penalty" clause in 15 U.S.C. § 1117(a). By insisting that any enhancement have a compensatory basis, Congress sought to prohibit punitive awards under the Lanham Act. And for good reason. Congress thought it was more important that courts be free to read the Act flexibly and broadly to achieve its purposes than that it be applied punitively to deter violators. The imposition of punitive sanctions for violations of the Act would inevitably—and properly—lead courts to adopt a more cautious stance in interpreting or extending the Act to novel situations. *See* James M. Koelemay, Jr., *Monetary Relief for Trademark Infringement Under the Lanham Act*, 72 Trademark Rep. 458, 521-25, 546 (1983). *Cf. Sands, Taylor & Wood v. Quaker Oats Co.*, 34 F.3d 1340, 1346 (1994), *modified in other part on reh'g*, 44 F.3d 579 (7th Cir. 1995).

Or so Congress thought. In fact, Congress's intent has gradually been subverted, as this case makes clear. There is no doubt that the Ninth Circuit was flexible and creative—to a fault—in creating and applying *Montoro*. But that flexibility has been paired with a propensity to award and enhance monetary relief on purely punitive grounds, leading to the imposition of penalties for conduct that simply could not have been identified in advance as unlawful without the most painstaking of legal advice. If such penalties are permissible, then *Montoro* must be overturned for yet another reason—because the Lanham Act is subject to the "strictness of construction incident to a law imposing penalties." *Douglas*, 294 U.S. at 209.

CONCLUSION

For the foregoing reasons, this Court should grant the petition for writ of certiorari.

Respectfully submitted,

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September 11, 2002

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS,
NINTH CIRCUIT.

No. 00-56703, 00-56712, 01-55027.
D.C. No. CV-98-07189-FMC.
Argued and Submitted March 12, 2002.
Decided April 19, 2002.

TWENTIETH CENTURY FOX FILM CORPORATION, a Delaware Corporation; SFM Entertainment LLC, a Delaware limited liability company; New Line Home Video Inc., a New York Corporation,

Plaintiffs-Counter-Defendants—Appellees,

v.

ENTERTAINMENT DISTRIBUTING, an Oregon Corporation; Marathon Music & Video, an Oregon Corporation, *Defendants-Appellants*, Dastar Corporation, an Oregon Corporation,

Defendant-Counter-Claimant—Appellant,

Random House, Inc., *Counter-Defendant—Appellee*.

Twentieth Century Fox Film Corporation, a Delaware Corporation; SFM Entertainment LLC, a Delaware limited liability company; New Line Home Video Inc., a New York Corporation,

Plaintiffs-Counter-Defendants—Appellees,

v.

Entertainment Distributing, an Oregon Corporation; Marathon Music & Video, an Oregon Corporation, *Defendants-Appellants*, Dastar Corporation, an Oregon Corporation,

Defendant-Counter-Claimant—Appellant.

Random House, Inc., *Counter-Defendant—Appellee.*
Twentieth Century Fox Film Corporation, a Delaware Corporation; SFM Entertainment LLC, a Delaware Limited Liability Company; New Line Home Video Inc., a New York Corporation,
Plaintiffs-Counter-Defendants—Appellees,
v.
Entertainment Distributing, an Oregon Corporation; Marathon Music & Video, an Oregon Corporation, *Defendants-Appellants*, Dastar Corporation, an Oregon Corporation,
Defendant-Counter-Claimant—Appellant,

Random House, Inc., sued as Doubleday, a division of Bantam Doubleday Dell Publishing Group, Inc.,
Counter-Defendant—Appellee.

Before KOZINSKI and GOULD, Circuit Judges, and BREYER, District Judge.*

MEMORANDUM **

1. The tax treatment that President Eisenhower sought for his manuscript *Crusade in Europe* creates a triable issue as to whether he intended the book to be a work for hire. Eisenhower informed Doubleday and the United States Treasury that he wished to have the payment for the book classified as a long-term capital gain, and that he was willing to comply with the required waiting period between the completion of the book and its sale to the publisher. The sale

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* The Honorable Charles R. Breyer, United States District Judge for the Northern District of California, sitting by designation.

** This disposition is not appropriate for publication and may not be cited to or by the courts of this circuit except as may be provided by Ninth Circuit Rule 36-3.

agreement between Eisenhower and Doubleday also gives no indication that the book was a work for hire. Drawing all reasonable inferences in favor of Dastar, *Kling v. Hallmark Cards, Inc.*, 225 F.3d 1030, 1035 (9th Cir. 2000), we conclude that the evidence raises doubt as to Eisenhower's intent with respect to *Crusade in Europe*. Because "[q]uestions involving a person's state of mind . . . are generally factual issues inappropriate for resolution by summary judgment," *Mendocino Env'l Ctr. v. Mendocino County*, 192 F.3d 1283, 1302 (9th Cir. 1999) (alteration in original) (internal quotation marks omitted), we reverse the district court's summary judgment for Twentieth Century Fox on the copyright infringement claim and remand for trial.

2. We affirm the district court's summary judgment on the reverse passing off claim under section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). Dastar copied substantially the entire *Crusade in Europe* series created by Twentieth Century Fox, labeled the resulting product with a different name and marketed it without attribution to Fox. Dastar therefore committed a "bodily appropriation" of Fox's series. *See Cleary v. News Corp.*, 30 F.3d 1255, 1261 (9th Cir. 1994); *Summit Mach. Tool Mfg. Corp. v. Victor CNC Systems, Inc.*, 7 F.3d 1434, 1436-37 (9th Cir. 1993). Dastar's minimal changes to the series are not sufficient to avoid liability. *See Summit Mach. Tool Mfg. Corp.*, 7 F.3d at 1437 ("A defendant may also be guilty of reverse palming off by selling or offering for sale another's product that has been modified slightly and then labeled with a different name.").[1]

We reject Dastar's contention that Twentieth Century Fox must make an independent showing that the series manufactured by Dastar resulted in consumer confusion. Dastar's "bodily appropriation" of Fox's original series is

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[1] The terms "reverse palming off" and "reverse passing off" are interchangeable. *Summit Mach. Tool Mfg. Corp.*, 7 F.3d at 1437 n. 1.

sufficient to establish the reverse passing off, because the "bodily appropriation" test subsumes the "less demanding 'consumer confusion' standard." *Cleary*, 30 F.3d at 1261-62.

3. We also affirm the district court's award of Dastar's profits under the Lanham Act. We generally defer to the district court on "any decision concerning the awarding of an accounting of profits remedy." *Playboy Enters. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1275 (9th Cir. 1982); *see also Faberge, Inc. v. Saxony Prods., Inc.*, 605 F.2d 426, 429 (9th Cir. 1979). The district court found that Dastar's trademark infringement was deliberate and willful: Dastar purposefully did not include any credits from the Fox series; deleted all images and references to Eisenhower's *Crusade in Europe*, thereby giving the impression that its series was an original work; and continued to market the series even after having been informed that it might be violating Fox's trademark. The district court also found that, because Dastar merely copied Fox's series, no profits were attributable to Dastar's own work. Given these findings, the district court's award of profit to Twentieth Century Fox is not clearly erroneous. *See Playboy Enters.*, 692 F.2d at 1275.

The district court did not abuse discretion by doubling the profit award under 15 U.S.C. § 1117(a). The court considered the circumstances of the case, as required by section 1117(a), and doubled the award in order to deter future infringing conduct by Dastar—a permissible ground under the Lanham Act. *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1406 (9th Cir. 1993); *Playboy Enters.*, 692 F.2d at 1274.

We reject Dastar's contention that the award of profits under the Lanham Act duplicated statutory damages awarded under the Copyright Act.[2] Even when based on the same act,

[2] Because we remand the copyright infringement claim for trial, this remains a live issue.

copyright infringement and trademark infringement are separate violations and, therefore, "in order to effectuate the purposes of both statutes, damages may be awarded under both." *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1011 (9th Cir. 1994). The two awards also served different purposes: The statutory damages under the Copyright Act penalized Dastar for its willful infringement of Doubleday's copyright, while the profits awarded under the Lanham Act served to prevent Dastar's unjust enrichment and to deter future infringement of Fox's trademark. *See id.*

4. Finally, we reject Dastar's challenge to the district court's calculation of attorney's fees. There is no evidence that the district court failed to perform an independent examination of the record in calculating the award, and Twentieth Century Fox provided adequate information for such calculation. *See Lobatz v. U.S. West Cellular*, 222 F.3d 1142, 1148-49 (9th Cir. 2000) (affirming a fee award based on summaries of attorney time records, rather than on contemporaneous time records themselves); *Bonnette v. California Health & Welfare Agency*, 704 F.2d 1465, 1473 (9th Cir. 1993) (affirming a fee award based in part on reconstructed records).

The district court also did not abuse discretion by refusing to reduce Fox's lodestar, because Fox had already excluded any time that appeared unreasonable. *See Davis v. City and County of San Francisco*, 976 F.2d 1536, 1543 (9th Cir. 1992). We are unable to rule on Dastar's argument that some remaining time entries are unreasonable because Dastar did not indicate which specific entries it challenges.

The fee award was, however, premised in part on the fact that Fox prevailed on its copyright infringement claim. Because we reverse the summary judgment on that claim, we vacate the attorney's fees award and remand to the district court for appropriate re-calculation after the copyright claim

is resolved. On remand, the district court may re-examine the reasonableness of any fees relating to the Lanham Act claim.

AFFIRMED in part, REVERSED in part, VACATED in part and REMANDED. No costs.

APPENDIX B

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

[Filed Aug 29, 2000]

CV 98-7189 FMC (Ex)

TWENTIETH CENTURY FOX FILM CORPORATION, *et al.*,
Plaintiff(s),

vs.

DASTAR CORPORATION, *et al.*,
Defendant(s).

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This case having come on for trial before the Court on August 9, 10, and 11, 2000, and the Court having heard the evidence, considered the briefs and arguments of counsel, and observed the demeanor of the witnesses, does hereby make, pursuant to Fed.R.Civ.P. 52 and Central District Local Rule 14.3, the following Findings of Fact and Conclusions of Law:

I. FINDINGS OF FACT

A. The Parties

1. Plaintiff Twentieth Century Fox Film Corporation ("Fox") is a Delaware corporation having offices and a principal place of business in Los Angeles, California.

2. Plaintiff SFM Entertainment LLC ("SFM") is a Delaware limited liability company having offices and a principal place of business in New York, New York.

3. Plaintiff New Line Home Video, Inc. ("New Line") is a New York corporation having offices and a principal place of business in New York, New York.

4. Defendant Dastar Corp. ("Dastar") is an Oregon corporation with its principal place of business located in Eugene, Oregon.

5. Defendant Marathon Music & Video is an Oregon corporation with its principal place of business located in Eugene, Oregon.

6. Defendant Entertainment Distributing is an Oregon corporation with its principal place of business located in Eugene, Oregon.

B. The Book

7. Gen. Eisenhower was appointed commander of U.S. troops in Europe during World War II (the "War") and later became Supreme Commander of the Allied Expeditionary Forces. (Ex. 86.) [1]

8. As a result of his leadership roles, Gen. Eisenhower's perceptions and views of the War were of unique historic importance. (January 6, 2000 Court Order Granting Summary Judgment ("January 6 Order") at 13; Ex. 72.)

9. With the help of William Robinson, Vice President of *The New York Herald Tribune* ("*The Tribune*") (which wanted to serialize excerpts of Gen. Eisenhower's memoirs), Douglas Black, President of Doubleday and friend to Gen. Eisenhower, persuaded Gen. Eisenhower to write memoirs of his War experiences for Doubleday. (January 6 Order at 13.)

10. Doubleday published the Book on November 22, 1948. Thirty excerpts from the Book were published on consecutive

[1] All citations to exhibits refer to plaintiffs' designated trial exhibits unless otherwise noted.

days in *The Tribune*, the first appearing on November 7, 1948. (January 6 Order at 15.)

11. Gen. Eisenhower was pleased with the Book, which was both a critical and commercial success. (Exs. 71, 72.)

12. In 1948, Doubleday obtained certificates of registration for the copyrights to the Book and *The Tribune* excerpts. Doubleday timely renewed those copyrights in 1975 as the "proprietor of copyright in a work made for hire." (January 6 Order at 15; Ex. 52.)

C. The Crusade Series

13. By agreement dated November 20, 1948, Doubleday granted to Twentieth Century Fox Television Productions, Inc. (The "Fox Division") the sole and exclusive television rights in the Book. (January 6 Order at 15; Ex. 73.)

14. In the late 1940s, Peter Levathes, Vice President of Twentieth Century Fox Film Corporation ("Fox"), arranged for and oversaw production of the *Crusade* Series. Levathes, on behalf of the Fox Division, negotiated an agreement (the "Fox/Time agreement") with Time, Incorporated's *March of Time* news unit ("Time") to produce the *Crusade* Series. (January 6 Order at 15; Ex. 74.)

15. The Fox/Time agreement provides that the *Crusade* Series must be based upon or illustrating the work entitled "CRUSADE IN EUROPE" by Dwight E. Eisenhower. (January 6 Order at 15; Ex. 74.)

16. The Fox/Time agreement gave the Fox Division and Doubleday the right to review the script and film for individual episodes and Time agreed to eliminate any portion of the script and any original photography that was determined to adversely affect Gen. Eisenhower's reputation. (Ex. 74.)

17. Creating the *Crusade* Series was a major project that involved not only developing scripts for more than two dozen separate one-half hour episodes, but also selecting and assembling footage, preparing connecting materials, doing a narration, and deciding on and incorporating music. (January 6 Order at 13.)

18. The *Crusade* Series was very closely based on and illustrated the Book. (Exs. 86, 87.)

19. The *Crusade* Series followed the Book's structure, format and content. (Exs. 86, 87.)

20. The *Crusade* Series conveyed Gen. Eisenhower's perspective on the War, as articulated in the Book. (Exs. 86, 87.)

D. The *Crusade* Videos

21. Fox reacquired the television rights in the Book from Doubleday for a period of seven years through a June 22, 1988 agreement (the "1988 agreement.") (Ex. 76.)

22. When Fox reacquired the television rights in the Book pursuant to the 1988 agreement, Fox also acquired the exclusive right to distribute the *Crusade* Series on video, and to license and sublicense others to do the same. (Ex. 76.)

23. On March 11, 1993, the 1988 agreement was amended to extend the term of Fox's exclusive license to fourteen years. This amendment was recorded with the U.S. Copyright Office on February 13, 1996. (Ex. 77.)

24. By agreement dated June 22, 1988 (the "Fox/SFM agreement"), Fox granted to SFM Entertainment LLC ("SFM") for a period of seven years the right to act as its exclusive sales agent and distributor of the *Crusade* Series in all media, including video, and to license and sublicense any partes to do the same. The term of the Fox/SFM agreement, which was recorded with the U.S. Copyright Office on

February 13, 1996, was automatically extended to fourteen years upon the March 11, 1993 amendment of the 1988 agreement. (January 6 Order at 17; Exs. 78, 79.)

25. By agreement dated July 27, 1984 (hereinafter the "SFM/New Line agreement"), which was amended on October 27, 1986, May 12, 1987, and December 15, 1991, SFM granted to Embassy Home Entertainment ("EHE"), and thus to New Line Home Video, Inc. ("New Line"), as EHE's successor in interest, an exclusive license to distribute the *Crusade* Series on video. (January 6 Order at 16; Ex. 81 .)

26. In 1980, SFM entered into an agreement with Time-Life Television, a division of Time-Life Films Inc., to purchase its *March of Time* library, which was to have included the *Crusade* Series. (Ex. 75.)

27. After an extensive search, SFM located and purchased the tapes and began restoring the *Crusade* Series so it could be repackaged for distribution on video. (January 6 Order at 16.)

28. SFM's total cost to restore the *Crusade* Series was approximately $75,000. (January 6 Order at 16.)

29. In conjunction with New Line, SFM had the tapes repackaged as videos (the *Crusade* Videos). The *Crusade* Videos were a direct reproduction of the *Crusade* Series. (January 6 Order at 16; Ex. 81.)

30. The credits for the *Crusade* Videos listed the actual creators of the *Crusade* Series and the *Crusade* Videos. For instance, credit is given to "New Line Home Video," "A March of Time Production By Arrangement with 20th Century Fox," "Eisenhower's Crusade in Europe Based on the Book by Dwight D. Eisenhower" and "SFM." (January 6 Order at 16; Ex. 7.)

31. Pursuant to the 1988 agreement, as well as the Fox/SFM and SFM/New Line agreements, New Line

distributed the *Crusade* Videos as a six-part series under the title *Crusade in Europe*. (Exs. 76, 77, 79, 81.)

32. Each *Crusade in Europe* video bears the following notice: "The Exclusive Picturization of General Dwight D. Eischower's book CRUSADE IN EUROPE published by Doubleday & Company Inc. © 1948 Doubleday& Company Inc." (Ex. 3.)

E. Defendants' Copying of the Book and Bodily Appropriation of the *Crusade* Series

33. Dastar first began producing videos in 1995. (January 6 Order at 17.)

34. In April 1995, Lanny Tarter, who became Dastar's director of video acquisitions in September 1995, and Norman Andersen, Dastar's President, spoke about expanding Dastar's product line, which had been exclusively music CDs, into video. (January 6 Order at 17.)

35. In looking for a first project to release on video, Tarter and Andersen spoke about the *Crusade* Series, which they both remembered watching as children.

36. Tarter and Andersen thought a video using the *Crusade* Series would sell well because Tarter has previously produced various successful war videos and 1995 marked the 50th anniversary of the end of World War II.

37. The first video that Dastar produced was *Campaigns*.

38. As Dastar's director of video acquisitions, Tarter was generally in charge of acquiring and producing Dastar's video product. (January 6 Order at 17.)

39. To create *Campaigns*, Tarter purchased eight beta cam tapes of the *Crusade* Series of sufficient quality so as to be able to reproduce them *en masse*. (January 6 Order at 17.)

40. To make *Campaigns*, Tarter copied the entire *Crusade* Series, making only the following changes: (a) with the assistance of a studio called L.A. Videograms, Tarter substituted a new opening title sequence, credit page and final closing for those in the *Crusade* Series; (b) Tarter substituted 26 new chapter-title sequences that corresponded precisely to the original 26 chapter-title sequences of the *Crusade* Series and subsequent videos; (c) Tarter deleted references to the Book, including images of the Book that appeared at the beginning of each of the 26 chapters of the *Crusade* Series; (d) Tarter moved the *Crusade* "recap" to the beginning of *Campaigns*, and retitled it as a "preview; and (e) inserted narrated chapter introductions written by Tarter. Tarter did not remove or alter any other aspect of the *Crusade* Series in making *Campaigns*. (January 6 Order at 17.)

41. The footage from the *Crusade* Series that was copied to create Campaigns contains the original narration from the *Crusade* Series that was taken from the Book. (Exs. 3, 4, 86, 87.)

42. With the exception of the opening title sequence, chapter-heading sequences, credit page, and final closing of *Campaigns*, the entire seven hours of *Campaigns* is taken from the *Crusade* Series. (January 6 Order at 17; Exs. 3, 4, 86, 87.)

43. *Campaigns* was released in October 1995. (Ex. 10.)

44. *Campaigns* contains text from the Book. There are 853 sentences (including both complete sentences and parts of sentences) in the Book that appear in *Campaigns*; 244 pages of the Book, or 51.2% (out of a total of 477 pages of the Book), contain text directly copied or very closely paraphrased in *Campaigns*; 2,211 lines of text in the Book, or 11.6% (out of a total of approximately 19,000 lines of text in the Book) contain text directly copied or very closely paraphrased in *Campaigns*. (January 6 Order at 18.)

45. The text in *Campaigns* copied from the Book consists of Gen. Eisenhower's own thoughts and expressions about the War, and not merely historical facts. (January 6 Order at 18.)

46. The Book and *Campaigns* follow the same structure, format, content, sequencing, and tone. (January 6 Order at 18; Exs. 50, 86.)

47. Both the Book and *Campaigns* are organized around the same six subjects: (1) the build-up of United States armed forces before World War II and the entry of the U.S. into the War; (2) the Allied campaign in North Africa; (3) the Allied campaign in Italy; (4) the Allied campaigns in France and Germany leading to victory in Europe; (5) the involvement of Russia in the War in Europe; and (6) the post-War period. (January 6 Order at 17-18.)

48. The Book, which is not simply a chronological history of the War, moves back and forth in time as it addresses different Allied operations, different battles, selected historical figures known to Gen. Eisenhower, and other events and subjects. (Ex. 86.)

49. Following the Book's format, *Campaigns* also moves back and forth in time between events and subjects and is not a purely chronological account of the War. (January 6 Order at 18; Exs. 50, 86.)

50. The Book tells of Gen. Eisenhower's personal and unique story of World War II and is organized around his personal experiences and perspectives, the issues and decisions he faced, and the persons with whom he had contact or whom he believed had a profound influence on events. (January 6 Order at 18; Ex. 86.)

51. Although truncated, *Campaigns* repeats Gen. Eisenhower's personal story, following the Book's circuitous route and adopting the same tone. (January 6 Order at 18.)

52. The sequencing of the topics in the Book is roughly the same as that in *Campaigns*; many of the same topics are juxtaposed and recounted in the same order, and the overall presentation of the War is the same as in the *Crusade* Series and the Book. (January 6 Order at 18.)

53. While the Book depicts many famous moments of the War such as the D-Day Invasion, the Book also depicts less well known events that Gen. Eisenhower decided to include. Such less conspicuous events described in the Book are, however, reproduced in *Campaigns*, both in the narration and in the War footage selected to illustrate it. As examples, the Books tells the story of the construction of "Mulberry" harbors off the coast of France and the destruction of one of those harbors in a hurricane; the Book discusses the training of the U.S. troops, and Gen. Eisenhower focuses on certain troop maneuvers that were held in Louisiana in September 1941; the Book touches on such less notable events as the death of Admiral Darlen, a French officer who was involved in conflicts in North Africa. Although presenting the War through visuals, *Campaigns* relies on all these same topics—the "Mulberry" harbors, the Louisiana troop maneuvers in 1941, and Admiral Darlen's death—and on many other less prominent topics discussed in the Book. (Exs. 50, 86.)

54. In addition to the voluminous copying of much of the literal text of the Book in *Campaigns*, the visual images that are shown in *Campaigns* similarly mirror the structure and organization of Gen. Eisenhower's Book and the aspects of the War he chose to discuss and emphasize. (Exs. 3, 4, 86.)

55. Volume 7 of *Campaigns* is entitled "Eisenhower's Thoughts." Defendants feature this title on the packaging for *Campaigns*. (Ex. 4.)

56. In early 1996, Dastar released a slightly-revised version of *Campaigns*, in which the only change in content was the addition of 2 to 3 minute "wrap-around" segments that appear

at the beginning of each tape and are narrated by Oregon radio personality Dale Reed. (Exs. 4, 23.)

F. The Willfulness of Defendants' Copyright Infringement

57. At the time they originally saw the *Crusade* Series and in 1995 when they decided to copy it, both Tarter and Andersen were aware that the Series was based on the Book.

58. Neither Tarter nor Andersen conducted an investigation concerning the copyright status of the Book in 1995, or at any other time prior to the commencement of this litigation. Dastar gave no consideration to whether the Book was in the public domain prior to the release of *Campaigns* in October 1995.

59. No one at Dastar consulted with a lawyer at any time prior to the filing of this lawsuit to determine whether the release of *Campaigns* would infringe anyone's rights.

60. Sometime after July 15, 1997, Marathon received a letter from plaintiffs requesting, among other things, that Marathon (1) immediately cease and desist from distributing *Campaigns*, (2) surrender all copies of *Campaigns* and account for all of its sales; and (3) inform plaintiffs of the means by which Marathon obtained copies of the materials used in *Campaigns*. (Ex. 32.)

61. Marathon did not comply with plaintiffs' cease and desist requests, nor did it consult with an attorney concerning the contents of plaintiffs' July 15, 1997 letter (even though it later stated to plaintiffs that it was consulting with its (non-existent) legal department.)

62. On July 29, 7997, EDI (d.b.a. of Dastar) sent a letter responding to plaintiffs July 15, 1997 letter, in which defendants requested that plaintiffs "provide [them] with the

appropriate documentation in support of [their] assertion to be the exclusive distributors of the *Crusade in Europe* videos." (Ex. 33.)

63. On approximately September 17, 1997, plaintiff New Line sent a letter responding to EDI's July 29, 1997 letter, in which New Line stated that it was compiling the requested documentation, and reiterated plaintiffs' request that EDI provide plaintiffs with information concerning the source of the materials used to create *Campaigns*. (Ex. 35.)

64. On December 18, 1997, plaintiffs sent defendants the documentation requested in EDI's July 29, 1997 letter, establishing plaintiffs' chain of title to the *Crusade* Series and Videos. EDI did not consult with an attorney or respond to plaintiffs' December 18, 1997 letter. In fact, Dastar never consulted with an attorney about whether its distribution of *Campaigns* infringed plaintiffs' or anyone else's rights until after the commencement of this litigation. (Ex. 36.)

65. EDI did not provide plaintiffs with the information that plaintiff New Line requested in its September 17, 1997 letter to EDI.

66. Defendants also never made any effort to recall *Campaigns*—even after this lawsuit was commenced.

67. Around the time plaintiffs filed this lawsuit, Dastar asked Eric Kulberg of Universal Media Inc. to perform a copyright search on the Book. (Ex. 37.)

68. In a September 22, 1998 letter to Tarter, Kulberg reported that "[i]t appears that Doubleday & Company has a solid copyright on [the book *Crusade in Europe*] and will hold it at least until 2023." While Kulberg noted that Fox did not renew the *Crusade* Series' copyrights, he concluded that "the underlying literary rights appear to be intact." (Ex. 37.)

69. Dastar continued to sell *Campaigns* after receiving Kulberg's September 22, 1999 letter, and manufactured new

copies of *Campaigns* at least as recently as March of 1999 (if not later). At least as recently as July 2000, Dastar was still shipping *Campaigns*. (Exs. 59, 61.)

G. The Willfulness of Defendants' Reverse Passing Off

70. The credits for *Campaigns* identify Andersen as executive producer, Barbara Kaye (Tarter's former assistant) as associate producer, and Tarter as producer. (January 6 Order at 17.)

71. Dastar purposefully and intentionally deleted all references to the fact that *Campaigns* was based on the Book and all of the images of the Book that appeared in the *Crusade* Series. Dastar also failed to include in *Campaigns* any of the other credits that appeared in the *Crusade* Series. In fact, Dastar deleted these images and omitted the *Crusade* credits to give the impression that *Campaigns* was an original work. (Ex. 3, 4, 86.)

72. There are no credits in the *Campaigns* Series that would inform viewers that it was taken from the *Crusades* Series. (Ex. 4.)

73. There is nothing on the packaging for *Campaigns* that states that it is based on the Book or gives credit to any of the plaintiffs concerning the content of *Campaigns*; the only entities defendants give credit to are Dastar and Marathon Music & Video—i.e., themselves. (Ex. 4.)

74. Dastar placed a "Contains Film Footage from the Previously Released *Crusade in Europe*" label on packageing of only a limited number of boxes of *Campaigns*. (Exs. 4, 26.)

75. Prior to the release of *Campaigns*, defendants had access to and used a book that identified Fox's association with the *Crusade* Series. (Ex. 41.)

76. In response to a January 1999 request by defendants, Original Filmvideo Library ("OFL") provided defendants with information related to the production and distribution of the *Crusade* Series, including a full list of credits. (Ex. 40.)

77. Defendants never made any effort to recall *Campaigns*—even after this lawsuit was commenced.

H. Defendants' Illicit Gains from Their Infringement of Plaintiff's Intellectual Property Rights

78. Dastar sells its videos to warehouse clubs, mail-order companies and retailers, including Sam's Club, Costco, Best Buy, BJ's Wholesale Club, Day Market, Publishers Clearinghouse, Avon, Time-Life, Discovery, and River Town. (Exs. 10, 11.)

79. Dastar sells *Campaigns* for approximately $25 per boxed set of videos. Plaintiffs sell the *Crusade* videos at a substantially greater price.

80. *Campaigns* was one of Dastar's best-selling titles. From October 1, 1995, through July 31, 2000, Dastar sold approximately 35,566 units of *Campaigns*, which generated at least $874,851.18 in gross revenues. (Ex. 61.)

81. Defendants' documented costs for producing and distributing *Campaigns* over the same period of time total $91,244.35, as set forth below:

Documented Cost	Amount
Cost of the 8 beta cam tapes of *Crusade* Series (Ex. 5)	$6,292.00
Charges to delete images of the Book and create new chapter, credit and title sequences (Ex. 14)	4,321.25
Package Design for *Campaigns* (Ex. 20)	3,814.75
Salary paid to Dale Reed for narrating wrap-around segments at the beginning of each cassette	95.00

Rental fee for equipment used to film Dale Reed wrap-around segments (Ex. 25)	1,460.75
Cost of duplicating cassettes of *Campaigns* documented by invoices produced before the end of discovery (Exs. 62, and 63)	20,052.75
Manufacturing cost for outer boxes holding seven volume *Campaigns* series, documented by invoices produced before the end of discovery (Exs. 21, 62, 63)	4,917.13
Manufacturing cost for the sleeves that encase each cassette, documented by invoices produced before the end of discovery (Exs. 21, 62, and 63)	5,759.75
Cost of 5,000 labels that state "Contains Film Footage from the Previously Released *Crusade in Europe*" (Ex. 27)	158.50
Freight charges to ship *Campaigns* from duplicator to Dastar, documented by invoices produced before the end of discovery (Exs. 62, 63)	629.92
5% Sales Commission	43,742.55
Total Deductible Costs	$ 91,244.35

82.	Gross revenue from sales of *Campaigns*	$ 874,851.18
	Less deductible costs	91.244,35
	Net Revenue from Sales of *Campaigns*	$ 783,606.83

83. Dastar's total gross revenues for the fiscal year ending September 30, 1998 were approximately $25 million. Dastar's total gross revenues for the fiscal year ending September 30, 1999 were $25 million.

84. Dastar's profits for the fiscal year ending September 30, 1998 were approximately $5 million. Dastar's profits for the fiscal year ending September 30, 1999 were $4 million.

85. Dastar's net assets are approximately $10,000,000.

II. CONCLUSIONS OF LAW

A. Procedure

1. This Court has subject matter jurisdiction over plaintiffs' federal copyright and Lanham Act infringement claims pursuant to 15 U.S.C. § 1121, 28 U.S.C. §§ 1331 and 1338(a) and (b), and over plaintiffs' state law claim for unfair competition based on principles of pendent jurisdiction. This Court also has subject matter jurisdiction pursuant to 28 U.S.C. § 1332(a), in that it is a civil action between citizens of different states in which the matter in controversy exceeds, exclusive of costs and interest, seventy-five thousand dollars.

2. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 1391(b), 1391(c) and 1400(a).

3. In its January 6, 2000 Order granting plaintiffs' motion for summary judgment (the "January 6 Order"), this Court held that: (1) by copying the *Crusade* Series and selling it under the title *Campaigns in Europe* ("*Campaigns*"), defendants violated the copyright of the underlying Book and infringed plaintiffs' exclusive right to reproduce and distribute videos based upon the Book, and (2) by bodily appropriating the *Crusade* Series and falsely identifying themselves as producers of *Campaigns*, defendants engaged in "reverse passing off" in violation of the Lanham Act and California unfair competition law. This bench trial was held to determine the appropriate remedies for defendants' infringement of plaintiffs' intellectual property rights.

4. In the January 6, 2000 Order, this Court also dismissed defendant Dastar Corp.'s counterclaims for unfair competetion and declaratory relief. On July 6, 1999, prior to the transfer of the case to this Court, Judge Tevrizian dismissed Dastar's counterclaims for intentional misrepresentation, negligent misrepresentation, and slander of title.

B. Monetary Remedies

Copyright Infringement

5. Because defendants' infringing actions took place after January 1, 1978, any award of damages under the Copyright Act is controlled by the Copyright Act of 1976; 17 U.S.C. § 301(a); *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir. 1984).

6. Under the Copyright Act, plaintiffs, are entitled to recover the actual damages they suffered as well as any profits resulting from defendants' infringement. 17 U.S.C. § 504(b).

7. Although plaintiffs do not own the copyright to the Book, they have the right to recover damages for copyright infringement as the exclusive licensee and sublicensees under Doubleday's copyright in the Book. 17 U.S.C. § 501(b); January 6 Order at 2 n.1.

8. Because plaintiffs bargained for the exclusive right to reproduce and distribute television programs in the video format that are based upon the Book, defendants' sale of *Campaigns* destroyed that exclusivity and thus diminished the value of plaintiffs' licenses, causing plaintiffs actual damage. *Nintendo of America, Inc. v. Dragon Pacific International*, 40 F.3d 1007, 1110 (9th Cir. 1994), *cert denied*, 515 U.S. 1107 (1995); *Frank Music Corp. v. MGM*, 772 F.2d 505, 512 (9th Cir. 1985). Plaintiffs are therefore entitled to an award of actual damages.

9. With respect to the recovery of defendants' profits, plaintiffs are required to present proof only of defendants' gross revenue. 77 U.S.C. § 504(b). In this case, defendants generated $874,851.78 in gross revenues from the sale of *Campaigns*.

10. Defendants have the burden to prove their deductible expenses and any elements of their profits attributable to

factors other than the copyrighted work. *Id.*; *Frank Music*, 772 F.2d at 514. Any doubt as to the correctness of the profit calculation should be resolved in favor of plaintiffs. *Eales v. Environmental Lifestyles, Inc.*, 958 F.2d 876, 881 (9th Cir.), *cert. denied*, 506 U.S. 1001 (1992), *abrogated on other grounds*, 179 F.3d 683 (9th Cir. 1989).

11. Since defendants were prohibited from relying on documents at trial that they did not disclose before the end of discovery, (*see* Tentative Court Order on Plaintiffs Motion in Limine No. 1 at Pretrial Conference on July 24, 2000; Fed.R.Civ.P. 37(c)), their total proved costs were $91,244.35, as set forth above.

12. Defendants did not produce sufficient evidence before the close of discovery of, and therefore failed to prove, their entitlement to certain additional claimed costs and expenses. Therefore, no additional claimed expenses shall be deducted from defendants' gross revenue for purposes of determining defendants' profits.

13. Defendants also did not prove that any elements of their profits were attributable to factors other than the copyrighted work. Specifically, as this Court has already found, *Campaigns* not only incorporates the literal text from the Book in its narration, but also adopts the Book's structure, format, sequencing, organization, and tone. In addition to the voluminous copying of the text of the Book in *Campaigns*, the visual images shown in *Campaigns* mirror the many choices Gen. Eisenhower made in organizing his Book and deciding what aspects of his War experience to emphasize and how. The amount of defendants' profits attributable to factors other than the Book therefore is *de minimus*, if anything at all. *See Frank Music Corp. v. MGM*, 886 F.2d 1545, 1549 (9th Cir. 1989), *cent. denied*, 494 U.S. 1017 (1990); *ABKCO Music, Inc. v. Harrisongs Music, Ltd.*, 508

F.Supp. 798, 801-02 (S.D.N.Y.). Because apportionment is improper, plaintiffs are entitled to $783,606.83 as defendants' profits.

14. Plaintiffs may, at any time before final judgment is rendered, elect to recover statutory damages in lieu of actual damages and profits. 17 U.S.C. § 504(c). Plaintiffs may elect such statutory damages whether or not there is any evidence of the actual damages suffered by plaintiffs or of the profits reaped by defendants. *Harris v. Emus Records Corp.*, 734 F.2d 1329, 1335 (9th Cir. 1984).

15. In light of defendants' willful infringement of plaintiffs' exclusive rights in the Book, plaintiffs are entitled to an award of the maximum amount of $150,000 in statutory damages should plaintiffs choose that remedy in lieu of actual damages and defendants' profits. *See* 17 U.S.C. § 504(c)(2); *Peer International Corp. v. Pausa Records, Inc.*, 909 F.2d 1332, 1337 (9th Cir. 1990), *cert. denied*, 498 U.S. 1109 (1991).

16. Defendants were willful infringers because they distributed *Campaigns* with, at the very least, a willful disregard for plaintiffs' rights. *See A&M Records, Inc. v. Abdallah*, 948 F.Supp. 1449, 1457 (C.D. Cal. 1996); *Sega Enterprises v. Maphia*, 948 F.Supp. 923, 936 (N.D. Cal. 1996). While defendants contend that their infringement was innocent because they purportedly believed the *Crusade* Series was in the public domain, the evidence shows that defendants did not conduct an investigation concerning the copyright status of the Book at any time prior to this litigation, even though they were aware when they decided to copy the *Crusade* Series that the Series was based on the Book. Defendants also did not consult with a lawyer to determine whether the release of *Campaigns* would infringe anyone's rights—although they falsely represented to plaintiffs that they had. *See International Star Class Yacht Racing Assoc. v. Tommy Hilfiger*, 80 F.3d 749, 753-54 (2d

Cir.1996). When plaintiffs pointed out defendants' infringement in two 1997 "cease and desist" letters, one of which specifically referred to the Book's copyright and attached copies of the applicable registrations, defendants still did not investigate the Book's copyright status, nor did they cease selling *Campaigns*. In fact, they continued to sell *Campaigns* long after this lawsuit was commenced, even after their own copyright researcher informed them in writing on September 22, 1998, that the underlying intellectual property rights to *Crusade* were "solid" and "intact" and would continue to be "at least until 2023". *See International Korwin Corp. v. Kowalczyk*, 855 F.2d 375, 380-81 (7th Cir. 1988); *O'Brien International, Inc. v. Mitch*, 209 U.S.P.Q. 212, 221 (N.D. Cal. 1980).

Lanham Act Infringment

17. Plaintiffs may recover damages and profits under the Lanham Act, together with statutory damages under the Copyright Act (should they elect statutory damages under the Copyright Act). *Nintendo*, 40 F.3d at 1011.

18. As actual damages caused by defendants' "reverse passing off," plaintiffs are entitled to the lost advertising value of plaintiffs' names and of the goodwill that they otherwise would have gained from public knowledge that plaintiffs were the true source of the misappropriated material in *Campaigns*. *Smith v. Montoro*, 648 F.2d 602, 607 (9th Cir. 1981). Specifically, each plaintiff contributed to the creation or distribution of the *Crusade* Videos. Fox conceived of the original *Crusade* Series in the late 1940's, contracted with Doubleday for rights to the Book and with Time to produce the Series, financed the production of the 26 episodes, and participated in the creative process. SFM originated the idea of restoring the *Crusades* Series, spearheaded the effort to find the films, and financed and supervised the restoration and repackaging process. New Line, as distributor, brought

the *Crusade* Series into modern homes. Each plaintiff would therefore benefit in its business from being associated with and viewed as responsible for the misappropriated work. Each plaintiff lost valuable goodwill when a purchaser of *Campaigns* was led to believe by defendants' false attribution that it was produced by defendants (rather than plaintiffs). In addition, as a virtual duplicate of the *Crusade* Videos, *Campaigns* appeals to the same audience as the *Crusade* Videos, but at a much lower price. Defendants' reverse passing off therefore not only cost plaintiffs valuable goodwill, but also sales. Accordingly, plaintiffs are entitled to actual damages under the Lanham Act.

19. Plaintiffs also are entitled to defendants' profits under the equitable theory of unjust enrichment based on defendants' willful Lanham Act infringement. *Lindy Pen Company, Inc. v. Bic Pen Corp.*, 982 F.2d 1400, 1407 (9th Cir.), *cert. denied*, 510 U.S. 815 (1993). Defendants' conduct was willful for purposes of the Lanham Act in that, even though defendants knew that the work they misappropriated was created by someone else, they still took credit for themselves. Furthermore, defendants could have easily discovered who was responsible for the *Crusade* Series with even a minimal amount of effort. Prior to *Campaigns*' release, defendants had access to and used a book that identified Fox's association with the work. In addition, defendants were able to obtain a full list of the credits in January 1999. They could and should have done so prior to releasing *Campaigns* in 1995. Finally, defendants continued to sell *Campaigns* even after obtaining the *Crusade* Series' credit list and after plaintiffs had alleged their claims for reverse passing off and unfair competition in this action. *See International Star Class*, 80 F.3d at 753-54.

20. To establish defendants' profits under the Lanham Act, plaintiffs need only prove defendants' infringing sales; defendants must prove any costs or other claimed deductions

from those sales. 15 U.S.C. § 1117(a). Again, the Court resolves any doubt as to the computation of costs or profits under the Lanham Act in plaintiffs' favor. *Oddzon Products, Inc. v. Diana Dolls Fashions, Inc.*, No. C-92-20578-JW,1997 WL 33019 (N.D. Cal. 1997). In this case as itemized earlier in this Order, plaintiffs are entitled to $783,606.83 as the award of defendants' profits under the Lanham Act.

21. 15 U.S.C. § 1717(a) confers authority on the Court to treble or otherwise increase the award of defendants' profits in order to deter future infringing conduct. *Pepsico, Inc. v. Triunfo-Mex, Inc.*, 189 F.R.D. 431, 432 (C.D. Cal. 1999). An award of double damages is particularly appropriate here because, as described above, defendants' infringement was willful. Thus, plaintiffs are entitled to double defendants' profits for a total award of $1,567,213.66 under the Lanham Act. *See, e.g., id.*; *Taylor Made Golf Co., Inc. v. Carsten Sports, Ltd.*, 175 F.R.D. 658, 663 (S.D. Cal. 1997); *New York Racing Association, Inc. v. Stroup News Agency Corp.*, 920 F.Supp. 295, 301 (N.D.N.Y. 1996).

C. Injunctive Relief

22. In addition to monetary recovery, plaintiffs are entitled to injunctive relief under the Copyright Act, Lanham Act, and California unfair competition law.

Copyright Infringement

23. Under § 502(a) of the Copyright Act, plaintiffs are entitled to a permanent injunction prohibiting defendants from any further infringement of plaintiffs' copyrighted material. *See, e.g., CDN Inc. v. Kapes*, 197 F.3d 1256, 1262 (9th Cir. 1999); *Sega Enterprises*, 948 F.Supp. at 940; *A&M Records*, 948 F.Supp. at 1460. In light of the fact that *Campaigns* parrots the unique structure, format, sequencing, organization, and tone of the Book, both by its narration and by its visual images, not to mention its focus on obscure

stories having no specific historical significance, plaintiffs are entitled to an injunction prohibiting defendants' distribution of any version of *Campaigns* that uses elements of original subject matter contained in the Book—including its structure, format, contents, sequencing, organization, and tone—not merely Campaigns' use of the literal text from the Book. *See Johnson Controls, Inc. v. Phoenix Control Systems*, 886 F.2d 1173, 1175 (9th Cir. 1989); *Shaw v. Lindheim*, 919 F.2d 1353, 1363 (9th Cir. 1990).

24. In addition to an injunction that permanently restrains defendants from further distributing *Campaigns*, plaintiffs are also entitled to an order that requires defendants to deliver and surrender to plaintiffs all negatives, positive film prints, transcriptions, recordings, video masters or videocassettes in their possession that infringe on or which may have been used to infringe plaintiffs' exclusive rights under the copyrights to the Book. *See* 17 U.S.C. § 503(b); *CyberMedia v. Symantec Corporation*, 19 F.Supp. 1070, 1079 (N.D. Cal. 1998).

Lanham Act Infringement and Violation of California Unfair Competition Law

25. The Lanham Act and California unfair competition law also expressly provide for injunctive relief. 15 U.S.C. § 1116; Cal. Bus. & Prof. Code § 17203. Injunctive relief is the remedy of choice for trademark and unfair competition cases, since there is no adequate remedy at law for the injury caused by a defendant's continuing infringement. *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1980); *see also Sega Enterprises*, 948 F.Supp. at 940; *A&M Records*, 948 F. Supp. at 1460. An injunction is appropriate even when the defendant purports to have stopped its infringing conduct, as defendants claim in this case. *See, e.g., Polo Fashions, Inc. v. Dick Bruhn, Inc.* 793 F.2d 1132, 1135 (9th Cir. 1986); *E & J. Gallo Winery v. Consorzio Del Gallo Nero*, 782 F.Supp. 457, 468 (N.D. Cal. 1991).

26. Under the Lanham Act, plaintiffs are entitled to an injunction permanently restraining defendants from falsely passing off *Campaigns* as their own or otherwise misappropriating plaintiffs' property and engaging in deceptive trade practices and unfair competition.

27. Under California unfair competition law, plaintiffs are entitled to a permanent injunction against continued acts of unfair competition.

D. Attorneys' Fees and Costs

28. Pursuant to Fed.R.Civ.P. 54(d), plaintiffs may file a motion for attorneys' fees and costs.

E. Defendants' Claimed Affirmative Defenses

29. None of the affirmative defenses alleged and argued by defendants in opposition to plaintiffs' contentions as to their remedies affects the Court's ultimate determination of those remedies. As this Court ruled in granting plaintiffs' Motion in Limine No. 3, defendants are precluded from introducing evidence supporting their affirmative defenses that was not produced in discovery. Accordingly, the Court's determineation of the appropriate remedies for defendants' infringement of plaintiffs' rights set forth above is not affected in any way by these claimed affirmative defenses.

Plaintiff is instructed to prepare a Judgment for the Court's signature within ten (10) days of the issuance of this Order.

DATED this 29th day of August 2000.

/s/ Florence-Marie Cooper
FLORENCE-MARIE COOPER JUDGE
UNITED STATES DISTRICT COURT

APPENDIX C

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

[Filed Jan 4, 2000]

CV 98-7189 FMC (Ex)

TWENTIETH CENTURY FOX FILM CORPORATION, SFM ENTERTAINMENT, LLC, AND NEWLINE HOME VIDEO, INC.,
Plaintiffs,

v.

DASTAR CORPORATION, ENTERTAINMENT DISTRIBUTING, AND MARATHON MUSIC & VIDEO,
Defendants.

DASTAR CORPORATION,
Counterclaimant,

v.

TWENTIETH CENTURY FOX FILM CORPORATION, SFM ENTERTAINMENT, LLC, NEWLINE HOME VIDEO, INC., AND RANDOM HOUSE SUED AS DOUBLEDAY,
Counterdefendants.

ORDER GRANTING SUMMARY JUDGMENT FOR PLAINTIFFS AND COUNTERDEFENDANTS AND DENYING DEFENDANTS' MOTION FOR SUMMARY JUDGMENT OR IN THE ALTERNATIVE, MOTION TO DISMISS.

I. Introduction/ Procedural History

Plaintiffs, Twentieth Century Fox Film, SFM Entertainment, and New Line Home Video, asserted claims for copyright infringement,[1] reverse passing off under the Lanham Act and unfair competition under California law against Defendants Dastar Corporation, Entertainment Distributing and Marathon Music and Video. This lawsuit is based on the Defendants' distribution of a video series entitled *Campaign in Europe* which Plaintiffs claim is an infringement of the protected material found in the book, *Crusade in Europe*, ("the Book") by General Dwight D. Eisenhower and is an appropriation of the television series *Crusade in Europe* without proper credit. Additional facts are described in Part IV.

Defendants moved for summary judgment or, in the alternative, for dismissal of plaintiffs' claims for lack of standing. Plaintiffs filed a cross-motion for summary adjudication on their claims for copyright infringement, reverse passing off and unfair competition and on defendants' counterclaims for declaratory relief and unfair competition. Random House, sued as Doubleday, joined plaintiffs' motion for summary adjudication on the counterclaims. The parties' motions are pending before the Court.

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[1] 17 U.S.C. § 501 (b) states in part: "The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of section 411, to institute an action for any infringement of that particular right committed while he or she is the owner of it." Defendants do not dispute Plaintiffs standing to sue for copyright infringement as the exclusive licensee and sublicensees under Doubleday's copyright in the Book. *See Eden Toys Inc. v. Florelee Undergarment Co. Inc.*, 697 F.2d 27, 36 (2nd Cir. 1982) (if copyright owner granted exclusive license, licensee may sue for infringement in its own name without joining owner).

II. Defendants' Requests to Strike Plaintiffs' Evidence

In the course of briefing on these motions, Defendants filed three requests to strike portions of the Plaintiffs's submissions.[2] Two were aimed at the admissibility of nearly every piece of Plaintiffs' evidence offered in support of their motion for summary adjudication. The third was a motion to strike under Rule 11 alleging that Plaintiffs had incorrectly cited two cases in their reply brief. Because defendants' evidentiary arguments relate to the findings of undisputed fact in Part IV, the Court addresses defendants' claims at the outset.

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[2] The Court notes that on November 17, 1999, the Honorable Dickran Tevrizian ordered no further briefing on either plaintiffs' or defendants' motions after the plaintiffs' filing of their reply in support of their cross-motion for summary judgment on December 6, 1999. Although the case has been transferred to this Court, the previous orders are in full effect.

Both parties have filed documents well after the deadline. The Court agrees with plaintiffs that portions of defendants' filings on December 13, 1999, contain argument appropriate only in a timely filed brief. However, because Federal Rule of Evidence 56(e) requires admissible evidence, defendants are entitled to challenge the admissibility of the evidence offered by plaintiffs in their reply. On the same grounds, the Court considers plaintiffs' response to the defendants' evidentiary challenges. The Court resolves these evidentiary matters as explained in text.

However, the Court strikes defendants' Summary of Oral Argument filed December 21, 1999. The Court is fully aware of the numerous filings on the cross-motions for summary judgment; defendants' additional filing adds only to the volume of paper they have already submitted. Moreover, the filing violates the Court's order of November 17, 1999. Plaintiffs' fling on December 22, 1999, is similarly disregarded.

On December 28, 1999, defendants' filed a document entitled "Suggestions on Oral Argument by Defendants." Parties are not permitted to respond in writing to the Court's tentative order. The Court strikes defendants' "Suggestions."

A. Documents from the McCormick Collection and the Eisenhower Library

Plaintiffs have submitted documents from the McCormick collection at the Library of Congress and the Eisenhower Presidential Library as evidence in support of their motion. Defendants object to these documents on two grounds: failure to disclose and hearsay.

Defendants contend that the documents are inadmissible because plaintiffs did not disclose the documents until they were filed in the course of the summary judgment papers. Defendants argue that the belated disclosure violates Local Rule 6.2.2 which imposes a continuing duty on parties to disclose all documents "contemplated to be used," A party who, without substantial justification, fails to disclose information is not permitted to use the information at trial or in support of a motion unless such failure is harmless. Fed. R. Civ. P. 37(c)(1).

Plaintiffs contend there is no violation of the local rules because the documents retrieved from the presidential library were neither responsive to defendants' discovery request nor contemplated for use until they learned of the arguments made in the defendants' motion for summary judgment. Plaintiffs' declaration with respect to their contemplated use and disclosure in their opposition to defendants' motion is sufficient under Local Rule 6.2.2. The documents from the McCormick collection were not retrieved until after October 20, 1999. In the midst of summary judgment filings, disclosure less than one month after receipt of documents is sufficient under Rule 6.2.2.

Defendants also object to all of the documents from both collections on the grounds that they are hearsay. Plaintiffs assert that they are admissible as ancient documents. Federal Rule of Evidence 803(16) provides an exception to the hearsay rule for documents at least twenty years old, if they

are properly authenticated. An ancient document is authenticated under Rule 901(8) if it (1) is in such condition as to create no suspicion concerning its authenticity; (2) was in a place where it, if authentic, would likely be; and (3) has been in existence twenty years or more at the time offered. The Court finds that the documents from the McCormick collection and the Eisenhower Library meet the requirements for authentication pursuant to Rule 901(8). Each is in sufficient condition to avoid suspicion; is identified as a document in either the Library of Congress' collection or the Eisenhower Library; and contains a date or other information demonstrating that the document has been in existence more than twenty years. Accordingly, these documents are admissible as exceptions to the hearsay rule. Defendants' objections to Exhibits A-Z to Powers' declaration are overruled. Defendants' objections to Exhibits A-K to Jahss' declaration are overruled.

B. Declarations and Remaining Exhibits

1. Feinstein and Unsigned Declaration of Levathes

Defendants object on hearsay grounds to the declaration of Feinstein which relayed Feinstein's conversation with Levathes who was unable to sign his declaration due to illness. The Court will consider only the recently filed signed declaration by Levathes. The Defendants' objections to the declaration of Feinstein and the unsigned declaration of Levathes are sustained.

2. Levathes' Signed Declaration

Defendants also object to Levathes' signed declaration stating that plaintiffs failed to disclose Levathes as a witness. Plaintiffs respond that they did not discover Levathes until October 28, 1999. The Court agrees with plaintiffs that their disclosure of Levathes' testimony shortly thereafter is sufficient under Rule 6.2.2. Defendants object to several paragraphs of Levathes' declaration. Paragraph two states

that "People looked to movie theaters in those days as a major source of their news." Defendants object for lack of foundation. Whether or not Levathes, who worked in the movie industry at the time, has sufficient personal knowledge, the statement is irrelevant to the issues before the Court. The sentence is not admissible. Paragraph four states that Levathes believed Fox should get into television because it would be a major vehicle for news programming. Defendants object based on relevance and lack of foundation. This statement of Levathes' belief is relevant to his motivation in urging Fox to develop the series for television based on the Book. Levathes certainly has personal knowledge of his own state of mind. Defendants next object to the statement that "Mr. Skouras told me to explore the idea" as hearsay. A statement is not hearsay if it is not offered for the truth of the statement. Whether or not Skouras made the statement, it explains Levathes' motivation for pursuing the project for Fox. Defendants' objections to paragraph four are overruled. Defendants' objection to paragraph five is based on their argument that Levathes' declaration as to his state of mind is without foundation and is irrelevant. It is relevant to the issue of the television series being an accurate reflection of the Book and is clearly within Levathes' personal knowledge. Defendants object to paragraph six on the grounds that it contains "conclusionary statements." Paragraph six contains factual statements of the steps Levathes took to secure the television rights from Doubleday. Defendants' objection is overruled. Levathes' statement that he "informed Time during negotiations that the *Crusade in Europe* television series . . . had to be faithful to the book" is admissible hearsay under Rule of Evidence 803(3). It is "[a] statement of the declarant's then existing state of mind . . . such as intent, plan, motive, design" . . . . F. R. E. 803(3). Levathes' description of portions of the agreements between Fox and Doubleday which are attached as exhibits is also permissible. Finally, defendants object to paragraphs nine, ten and eleven

for lack of foundation. These paragraphs detail Levathes' role in adapting the Book into the series, the agreement for payment and the use of the text of the Book are based on Levathes' personal knowledge and, accordingly, have sufficient foundation. Defendants' objections are overruled.

3. Declaration of Moger

Defendants object to portions of Moger's declaration on several different grounds. The Court overrules defendants' objections for the following reasons. The sentence objected to as conclusory contains statements of fact within the personal knowledge of Moger. The objection to the use of the word "restored" as ambiguous in the third paragraph is fully explained in the remaining part of that paragraph. Declarant has sufficient personal knowledge as foundation to explain the condition of the film received from Time. Declarant does not relay hearsay in paragraph four. Paragraphs five to seventeen are relevant to establishing SFM's role in the creation of the *Crusade in Europe* videos. Moger's statements that he was "outraged" are not the proper subject of a declaration and will be disregarded by the Court.

Defendants object to exhibits A, B and C attached to Moger's declaration on the grounds that they were not disclosed. Plaintiffs' respond that they did not contemplate using exhibit A until the motions for summary judgment were filed and that exhibits B and C were disclosed in plaintiffs' initial disclosures. As explained above, only documents a party contemplates using are required to be disclosed under Local Rule 6.2.2. The Court finds that exhibit B was attached to plaintiffs' original complaint as exhibit I and that exhibit C was attached as exhibit H. The Court notes that the original exhibit markings remain on the copies attached to Moger's declaration and are readily apparent. Defendants' objections to exhibits A, B and C to Moger's declaration are overruled.

4. Declaration of John Eisenhower

Defendants objections to Eisenhower's statements on the grounds that he lacks personal knowledge and that the statements therefore lack foundation are overruled. The Court finds that Eisenhower's declaration contains sufficient facts of his dealings with his father and his familiarity with his father's affairs to provide ample foundation and personal knowledge to support his statements in paragraphs five, six, seven, eight, nine, ten and eleven. Two sentences contain speculative statements about the secretaries provided to General Eisenhower and the number of changes made by Doubleday to the General's book. Plaintiffs' assert that these statements are permissible under Federal Rule of Evidence 701. The Court finds that the statements meet the provisions of that Rule because (1) they are rationally based on the perception of Eisenhower and (2) they are helpful. Eisenhower's statement based on his conversation with his father in paragraph six falls within the residual exception to hearsay because the statement is evidence of a material fact, is probative and is reliable. Federal Rule of Evidence 807. Defendants objection to Eisenhower's statement that he believes the family does not have a right to renew the Book's copyright because it belongs to Doubleday is sustained.

5. Declaration of Vaughan

Defendants object to much of Vaughan's declaration on the grounds that the statements are not based on personal knowledge and lack foundation. The Court finds that Vaughan's statements about his experience working at Doubleday beginning in 1952, in combination with his working relationships with Doubleday executives and General Eisenhower, provide sufficient personal knowledge and foundation for his declaration. Vaughan's statements that General Eisenhower "welcomed" Doubleday's assistance and that the book would not have been published without Doubleday's urging are based on the knowledge he obtained

from his relationship with General Eisenhower; they are not speculative. These statements are based on hearsay but fall within the residual hearsay exception because they are evidence of material facts probative and reliable. Fed. R. Evid. 807. Defendants' objections to Vaughan's declaration based on lack of foundation and personal knowledge are overruled. Defendants' objections based on relevance are sustained with respect to Vaughan's statement that copyrights are the "legal and financial stock-in-trade" of publishing and Vaughan's belief that defendants' challenge to the copyright is "ironic." Lines 5:23-26, 6:1-4.

6. Exhibit A to the Declaration of Reed

Defendants objected to the copy of *Crusade in Europe* and the face page of the Book, filed as Exhibit A, because plaintiffs disclosed a different edition to the book. The Court finds no basis for excluding the exhibit on this ground. The objection is overruled.

7. Exhibits F and H to the Supplemental Declaration of Jahss

Defendants abject to exhibits F and H on the grounds that they were not disclosed and are hearsay. Exhibit F is the introduction to General Eisenhower's book *At Ease: Stories I Tell To Friends.* General Eisenhower's own words in this book fall within the residual hearsay exception because they are evidence of a material fact, probative and most certainly reliable. Fed. R. Evid. 807. Rule 807 requires a party offering evidence under this rule to provide the adverse party with sufficient notice. Defendants argued at oral argument that the filing of this evidence with plaintiffs' reply was insufficient notice. Defendants further argued that because they were not permitted to file any papers after plaintiffs' reply, the evidence is inadmissible. Defendants certainly could have requested leave to respond to plaintiffs' new evidence. Moreover, the Court's order precluding filings after

plaintiffs' reply did not stop defendants from filing several other objections to plaintiffs' evidence after that date. The introduction to *At Ease* was provided to defendants with sufficient notice. Defendants objections are overruled.

Exhibit H is an excerpt from a journal *Columbia Library Columns* which details General Eisenhower's path to becoming the University's president. The single sentence of the article that is relevant to this case is "The horrible demands of his new position dismayed the General, according to the *New York Herald Tribune's* Bill Robinson, who would be instrumental with Doug Black in publishing *Crusade in Europe*." Jahss Supp. Declaration, Ex. H at 59. Even though defendants' objection to the article is sustained, the involvement of Black and Robinson in persuading General Eisenhower to write the Book is established by other evidence.

C. Rule 11

The Court denies Defendants' request to strike Plaintiffs' reply memorandum under Federal Rule of Civil Procedure 11. Defendants contend that Plaintiffs' incorrectly cited two cases to the Court. The Court finds that Plaintiffs' citation to *Comedy III Productions, Inc. v. New Line Cinema* does not violate Rule 11. *Comedy III* does contain the statement, albeit in dicta, that the exploitation of an item in the public domain may be cognizable under the Lanham act. The Court also finds that Plaintiffs' citation to *Lamothe v. Atlantic Recording Corporation* as a general statement of standing under the Lanham act does not violate Rule 11.

III. Summary Judgment/Summary Adjudication Standard

Summary judgment or summary adjudication is only proper where "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there are no issues as to any

material fact and that the moving party is entitled to judgment as a matter of law." Fed. R. Civ. Pro. 56(c).

The moving party bears the initial burden of demonstrating the absence of a genuine issue of material fact. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 256,106 S. Ct. 2505, 91 L. Ed. 2d 202 (1986). Whether a fact is material is determined by looking to the governing substantive law; if the fact may affect the outcome, it is material. *Id.* at 248.

If the moving party meets its initial burden, the "adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings, but the adverse party's response, by affidavits or as otherwise provided in this rule, must set forth specific facts showing that there is a genuine issue for trial." Fed. R. Civ. P. 5b(e). Mere disagreement or the bald assertion that a genuine issue of material fact exists does not preclude the use of summary judgment. *Harper v. Wallingford*, 877 F.2d 728 (9th Cir.1989).

IV. Uncontroverted Facts

Each set of moving parties filed a Statement of Uncontroverted Facts. Defendants responded to the vast majority of plaintiffs' statement by disputing the admissibility of the evidence on which the asserted facts were based. The Court's ruling on the admissibility of the evidence is discussed in Part 11. Defendants' evidentiary arguments do not meet the requirement that parties "identify with reasonable particularity" evidence supporting their contentions that material facts are disputed. *See Keenan v. Allen*, 91 F.3d. 1275, 1279 (9th Cir. 1996). To the extent defendants identified evidence allegedly contradicting plaintiffs' remaining facts, they pointed only to entire documents as support, i.e., "depositions of Tarter and Andersen." (Defendants' response to plaintiffs' Statement of Uncontroverted Facts paras. 82, 84, 85.) Citation to an entire deposition is not "reasonable particularity" and is insufficient

to dispute plaintiffs' factual contentions. The Court may assume the material facts as claimed and supported by plaintiffs are admitted to exist absent evidence filed by defendants to controvert those facts. Local Rule 7.14.3. To the extent the Court finds the plaintiffs' facts relevant to this motion, they are stated below.

Defendants' Statement of Uncontroverted Fact contains, in large part, legal argument, i.e., "The fact that in the thirty-one (31) initial 1948 registrations . . . DOUBLEDAY did not identify itself as the author with the work being 'a work for hire' is compelling evidence that the General Eisenhower work, *Crusade in Europe*, was not a work for hire at that time, and was not contemplated by the parties to be a work for hire." (Defs. Statement of Uncontroverted Fact para. 21) Defendants also recite allegations found in plaintiffs' complaint and the responses to those allegations filed in the answer. The Court observes, as the Ninth Circuit did in *Keenan*, that defendants' "counsel certainly cannot be accused of remaining silent, but by submitting [a document] that obfuscates rather than promotes an understanding of the facts, [counsel] has assisted neither the court nor [the] clients." 91 F.3d at 1279. To the extent defendants' statement contains uncontroverted facts helpful to the Court, they are stated below.

THE BOOK

1. As early as 1944, General Eisenhower was asked to write his memoirs of his War experience by book publishers including Doubleday. (Power Decl. Exh. A).

2. Although the General initially rejected the proposals, he was approached by Douglas Black of Doubleday and William Robinson of the New York *Herald Tribune* about writing his memoir to convey his personal first-hand experience of the war. Black convinced Eisenhower that only his account could dispel inaccurate reports found in other books. (Jahss Supp. Decl. Ex. F, Vaughan Decl., J. Eisenhower Decl.).

3. In December of 1947, Eisenhower sought tax advice from the Department of Treasury stating that he had been "urged" by publishers to write his war memoirs. (Jahss Decl. EX. F)

4. By January of 1948, General Eisenhower began discussing with Doubleday editor in chief Ken McCormick and William Robinson of the *Herald Tribune* the preparation and the content of the Book. (Power Decl. Ex. J, Jahss Decl. Ex. P)

5. On February 8, 1948, General Eisenhower began writing the Book. (Jahss Supp. Decl. Ex F).

6. Ken McCormick supervised the "necessary work in connection with the preparation of the manuscript." (Jahss Decl. Ex. P) Joe Barnes, editor at the *New York Herald Tribune*, also assisted in editing the manuscript. (Jahss' Decl. Ex. R)

7. Doubleday hired several others to assist with the Book including Kevin McCann, Doug Wallop, and John Kennedy. (Power Decl. Ex. H) Wallop and Kennedy served as secretaries who transcribed and typed the manuscript. (Powers Decl. Ex. G, H, I) Arthur Nevins was hired to check historical facts and add notations to the manuscript. (Powers Decl. P) Doubleday paid the salaries and the expenses of each of these individuals. (Power Decl. H, P, S).

8. On December 8, 1948, General Eisenhower signed an agreement acknowledging the sale of the Book and "all rights of every nature pertaining thereto" to Doubleday for the sum of $635,000. (Jahss Decl. Ex. L)

9. Doubleday worked on the promotion and manufacture of the Book long before the Eisenhower/Doubleday contract was executed and the Book was published including developing printing specifications and marketing plan. (Jahss Decl. Ex. W, Power Decl. Exs V, Z)

10. Doubleday published the Book on November 22, 1948. The first thirty excerpts appeared in the November 7, 1948, edition of the *Herald Tribune*. (Jahss Decl. Y, Power Decl. Exs. I, W)

11. Doubleday obtained certificates of registration for the copyrights to the Book and the *Herald Tribune* excerpts in 1948. Doubleday was listed as the copyright claimant. (Jahss Decl Exs. Z, AA)

12. In 1975, Doubleday renewed the copyrights as the "proprietor of copyright in a work made for hire." (Jahss Decl. Exs. BB, CC)

THE *CRUSADE* SERIES

13. In 1948, Doubleday granted to Twentieth Century Fox Television Productions, Inc., the sole and exclusive television rights in the Book. (Plaintiffs' Statement of Uncontroverted Facts para. 46. Defendants did not provide evidence to contradict this fact.)

14. Peter Levathes, Vice President of Twentieth Century Fox, arranged and oversaw the production of the television series to be made from the Book. (Plaintiffs' Statement of Uncontroverted Facts para. 47. Defendants did not provide evidence to contradict this fact.)

15. Levathes negotiated an agreement with Time Incorporated to produce the series titled *Crusade in Europe*. The agreement provides that the *Crusade in Europe* series must be based upon or illustrate the Book. (Plaintiffs' Statement of Uncontroverted Facts paras. 47, 50. Defendants did not provide evidence to contradict this fact.)

16. In 1988, Fox reacquired the television rights in the Book from Doubleday including the exclusive right to distribute on video the *Crusade* television series. (Plaintiffs' Statements of Uncontroverted Facts paras. 58, 59. Defendants did not provide evidence to contradict this fact.)

17. In 1988, Fox granted to SFM Entertainment the right to act as its exclusive sales agent and distributor of the *Crusade* series in all media, including video, and to sublicense others to do the same. SFM in turn granted exclusive license to distribute the *Crusade* series to Embassy Home Entertainment and thus to New Line Home Video. (Embassy Home Entertainment's successor in interest). (Plaintiffs' Statement of Uncontroverted Facts para. 62. Defendants did not provide evidence to contradict this fact.) SFM located the negatives of the original *Crusade* television series, had them restored and reproduced for sale on video. SFM spent approximately $75,000 in restoring the series. (Plaintiffs' Statement of Uncontroverted Facts paras. 65, 67, 71. Defendants did not provide evidence to contradict this fact.)

18. The *Crusade* video series is a direct reproduction of the *Crusade* television series. (Plaintiffs' Statement of Uncontroverted Facts para. 72. Defendants did not provide evidence to contradict this fact.)

19. The credits of the *Crusade* videos include New Line Home Video, SFM, "A March of Time Production By Arrangement with 20th Century Fox" and "Eisenhower's Crusade in Europe Based on the Book by Dwight D. Eisenhower." (Plaintiffs' Statement of Uncontroverted Facts para. 73. Defendants did not provide evidence to contradict this fact.)

THE *CAMPAIGN* SERIES

20. Dastar began producing videos in 1995. At that time, Norman Andersen was president of Dastar and, beginning in September of 1995, Lanny Tarter was Dastar's director of video acquisitions. (Plaintiffs' Statement of Uncontroverted Facts paras. 77-78, Defendants did not provide evidence to contradict these facts.)

21. To create *Campaigns*, Tarter purchased eight beta cam tapes of the *Crusade* television series of sufficient quality so as to be able to reproduce them *en masse*. (Plaintiffs' Statement of Uncontroverted Facts paras. 82-83. Defendants did not provide evidence to contradict these facts.)

22. Tarter copied the *Crusade* series in its entirety to make *Campaigns*. He then substituted a new opening title sequence, credit page and final closing for the original versions that appeared in the *Crusade* series; substituted 26 new chapter-title sequences; deleted any references to the Book including images of the Book (approximately twenty minutes of footage); added music; and moved the *Crusade*'s recap to the beginning. (Plaintiffs' Statement of Uncontroverted Facts para. 84. Defendants Statement of Uncontroverted Facts para 70.)

23. The credits for *Campaigns* identify Anderson as executive producer, Barbara Kaye as associate producer and Tarter as producer. (Plaintiffs' Statement of Uncontroverted Facts para. 100. Defendants did not provide evidence to contradict these facts.)

24. The Book and the Campaign video series are organized around the same six subjects: (1) the build-up of United States armed forces before world War II and the entry of the U.S. into the war; (2) the Allied campaign in North Africa; (3) the Allied Campaign in Italy; (4) the Allied campaigns in France and Germany leading to victory in Europe; (5) the involvement of Russia in the War in Europe; and (6) the post-war period. (Reed Decl. Para 7) (Plaintiffs' Statement of Uncontroverted Facts para. 92. Defendants did not provide evidence to contradict this fact.)

25. The sequencing of the topics in the Book is roughly the same as that in *Campaigns*; many of the same topics are juxtaposed and recounted in the same order, and the overall presentation of the War is the same. (Reed Decl. Ex. C)

(Plaintiffs' Statement of Uncontroverted Facts para. 97. Defendants did not provide evidence to contradict this fact.)

26. The Book tells General Eisenhower's personal story of World War II and is organized around his personal experiences and perspectives. *Campaigns*, in truncated form, repeats General Eisenhower's personal story, following the same route as the Book. (Reed Decl. Para 9) (Plaintiffs' Statement of Uncontroverted Facts para. 95-96: Defendants did not provide evidence to contradict this fact.)

27. *Campaigns* contains text from the Book. There are 853 sentences in the Book that appear in *Campaigns*; 244 pages of the Book, or 51.2%, contain text directly copied or closely paraphrased in *Campaigns*; and 2,211 lines of text out of an approximate total of 19,000 lines (11.6%) contain text directly copied or closely paraphrased in *Campaigns*. (Reed Decl. Para. 5) The Court notes defendants' assertion disputing this statement of fact. However, defendants bald assertion that four percent of the Book appears in the *Campaign* videos, much of which is historical fact, without pointing to admissible evidence is insufficient to dispute plaintiffs' statement.

V. Plaintiffs' Motion for Summary Adjudication

Plaintiffs argue that they are entitled to summary adjudication on their claims for copyright infringement, reverse passing off and unfair competition under California law. They also seek summary adjudication on defendants counterclaims.

A. Copyright Infringement

To prevail on their claim for copyright infringement plaintiffs must demonstrate both ownership of the copyright of the Book by Doubleday and unauthorized copying of protected elements of the work by defendants. *CDN Inc. v.*

Kapes, __F. 3d __, 1999 WL 1080177 (9th Cir. Dec. 2, 1999); *Shaw v. Lindheim*, 919 F.2d 1353, 1355 (9th Cir. 1990).

1. Ownership of the Copyright

The ownership of the copyright in this case turns on whether Eisenhower wrote the Book as a "work for hire" for Doubleday. If it is a work for hire, Doubleday, as the proprietor, was authorized to renew the copyright and continues to hold a valid copyright. If the book was not a work for hire, the right to renew the copyright belongs only to General Eisenhower's heirs. There is no dispute that Doubleday renewed the copyright as the proprietor of the original copyright.

Under the 1909 Copyright Act, proprietorship of a work made for hire belongs to the person at whose "instance" and "expense" it was created. "[W]hen one person engages another, whether as employee or as an independent contractor, to produce a work of an artistic nature, [sic] in the absence of an express contractual reservation of the copyright in the artist, the presumption arises that the mutual intent of the parties is that the title to the copyright shall be in the person at whose instance and expense the work is done." *Lin-Brook Builders Hardware v. Gertler*, 352 F.2d 298, 300 (9th Cir. 1965); *see also May v. Morganelli-Heumann & Associates*, 618 F.2d 1363, 1368 n.4 (9th Cir. 1980).[3]

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[3] Defendants asserted at oral argument that without a showing that Doubleday had the right to supervise and control Eisenhower's work, the Court cannot conclude that the Book was a work for hire. Defendants point only to Second Circuit law for this additional requirement. This Court may properly look to another circuit for guidance where there is a vacuum of authority. However, the Court is not authorized to import an additional test currently required by the Second Circuit, but not the Ninth.

Even if plaintiffs were required to establish that Doubleday had the right to supervise and control Eisenhower's work, the Court finds

Although the Ninth Circuit has not identified a specific test for evaluating the "instance and expense" of creating a work, it has frequently cited case law from the Second Circuit as a source of the standard.

The "instance" prong of the test is met where "the motivating factor in producing the work was the employer." *Playboy Enterprises, Inc. v Dumas*, 53 F.3d 549, 554 (2nd Cir. 1995). The evidence demonstrates that, of the many publishers who encouraged the General to write his memoirs at the end of the Second world war, only Douglas Black of Doubleday and William Robinson of the New York *Herald Tribune* convinced General Eisenhower that his personal, first-hand experience of the war was necessary: (Finding of Fact 2) In light of the evidence that General Eisenhower had rejected previous offers to publish, the Court finds that the "instance" prong of the test is met because Black and Doubleday were the "motivating factor" behind General Eisenhower writing the Book.

The "expense" requirement is met where a hiring party pays an independent contractor a sum certain for his or her work in contrast to paying royalties. *See Playboy*, 53 F.3d at 555; *Yardley v. Houghton Mifflin Co. Inc.*, 108 F.2d 28, 31 (2d Cir. 1939). General Eisenhower was paid a flat fee for the Book and retained no right to royalties. (Finding of Fact 7) In addition, there is ample evidence that Doubleday paid the expenses surrounding the creation of the Book. Doubleday

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sufficient evidence on these points. First, it is undisputed that editors from Doubleday discussed with Eisenhower the content and format of the Book as early as January of 1948. An editorial team from Doubleday and the *Herald Tribune* edited the entire manuscript. The fact-checker hired and paid by Doubleday stated that he offered suggestions for modifications and additions to Eisenhower where the original draft did not conform with historical facts. (Power's Decl. Ex. P) Finally, John Eisenhower stated in his declaration that the Book reflects changes made by Doubleday's editorial staff. (Eisenhower Decl. para.8,10)

hired and paid the transcribers, typists and the fact checker of the Book. (Finding of Fact 6). These facts are sufficient to meet the "expense" prong of the test.

Plaintiffs have presented substantial credible evidence that General Eisenhower wrote the book, *Crusade in Europe*, at the "instance and expense" of Doubleday. Accordingly, as a matter of law, the Book is a work for hire. Doubleday, as the employer of the author of the Book, is the proprietor of its copyright.

Defendants make much of the fact that the Book's original copyright registration does not indicate that it was a work for hire. Section 209 of the 1909 Act provides that a certificate of registration shall be prima facie evidence of the facts stated therein. 3 Nimmer on Copyright, § 12.11 at 12-77 n. 2. The facts contained on the registration certificate include that Doubleday is the owner of the copyright and that General Eisenhower is the author of the Book. In contrast, the registration is silent as to whether the Book was written as a work for hire. Section 209 does not require a Court to accept the registration as prima facie evidence of facts absent from the registration. Despite defendants' contentions, the Book's registration certificate does not contradict the Court's conclusion that the Book was a work for hire.

2. Copying

The next inquiry is whether the defendants copied the protected expression in the Book. The fact that the copyright in the derivative work, the *Crusade in Europe* film series, was not renewed does not affect the validity of Doubleday's copyright in the parts of the book used in the films. *Stewart v. Abend*, 495 U.S. 207, 231, 110 S. Ct.1750, 109 L. Ed. 2d 184 (1990); *Batjac Productions, Inc. v. Goodtimes Home Video Corp.*, 160 F.3d 1223, 1227 (9th Cir.1998); *see also, Russell v. Price*, 612 F. 2d 1123, 1128 (9th Cir.1979) ("although derivative work may enter the public domain, the matter

contained therein which derives from a work still covered by statutory copyright is not dedicated to the public").

Because direct copying is often difficult to prove, a plaintiff can satisfy the second element of the test for infringement by demonstrating that (a) a defendant had access to the allegedly infringed work and (b) the two works are substantially similar in both idea and expression of that idea. *See Narell v. Freeman*, 872 F.2d 907, 910 (9th Cir. 1989). However, where there is an admission of copying, the court need not employ the two part analysis. *Norse v. Henry Holt and Co.*, 991 F.2d 563, 566 (9th Cir. 1993); *Cordon v. Walker*, 1996 WL 672969 *3 (S.D. Cal. 1996). Here defendants admit that they copied the television series *Crusade in Europe* in making its series *Campaign in Europe*. Plaintiffs have submitted ample evidence demonstrating that both the *Crusade* series and *Campaign* videos contained significant portions of the Book. (Finding of Fact 27) Moreover, defendants admit that "there are 'expressions' or 'statements' from the Eisenhower[sic] book (without reference to the Book) which are utilized" in their videos. (Defendants' memorandum in support of summary judgment or motion to dismiss at 4.) The Court finds that defendants' admission of copying the television series, which contained significant portions of the Book, is a sufficient admission of copying portions of the protected Book.

Plaintiffs are entitled to summary adjudication of their copyright infringement claim.

B. Lanham Act Claim for Reverse Passing Off

"Section 43(a) of the Lanham Act [4] prohibits the use of false designations of origin and false representations in the

[4] Section 43(a) of the Lanham Act provides in part: Any person who . . . uses in commerce . . . any false designation of origin, false or misleading description of fact, or false or misleading representation of

advertizing and sale of goods and services." *Cleary v. News, Corp.*, 30 F.3d 1255, 1259 (9th Cir. 1994). Plaintiffs' claim is based on the defendants' sale of *Campaigns*, which they allege is substantially the *Crusade* television series, without proper identification of the television series. The Act's unfair competition prohibitions extend to "palming off" or "passing off:" the selling of a good or service of one person's creation under the name or mark of another. *See Lamothe v. Atlantic Recording*, 847 F.2d 1403, 1406 (9th Cir. 1988); *Smith v. Montoro*, 648 P.2d 602, 604 (9th Cir. 1981).

Express reverse passing off occurs when one party obtains a second party's goods, removes the second party's name, and markets the product under its own name. *See Summit Mach. Tool Mfg Corp. v. Victor CNC Systems, Inc.*, 7 F.3d 1434, 1437 (9th Cir. 1993). As a matter of policy, reverse palming off

> "is wrongful because it involves an attempt to misappropriate or profit from another's talents and workmanship. Moreover, in reverse palming off cases, the originator of the misidentified product is involuntarily deprived of the advertising value of its name and of the goodwill that otherwise would stem from public knowledge of the true source of the satisfactory product."

Smith, 648 F.2d at 607. The practice is also misleading to consumers who are "deprived of knowing the true source of the product and may even be deceived into believing that it comes from a different source." *Id.*

fact, which (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act. Codified at 15 U.S.C. § 1125 (a).

1. Standing

As explained in Part VI, defendants assert that plaintiffs do not have standing to assert a claim under the Lanham Act. Even if the *Crusade* television series is in the public domain, plaintiffs are not precluded from asserting a claim. "The dispositive question is whether the party has a reasonable interest to be protected against false advertising." *Lamothe*, 847 F.2d at 1405. Plaintiffs are the producers and sellers of the *Crusade* video series. They are the holders of the exclusive license to produce and distribute the *Crusade* television series on video. They have a clear interest in preventing defendants from misleading the public in the sale of the *Campaign* videos.

2. Standard for Reverse Passing Off

To prevail on their claim of reverse passing off plaintiffs must demonstrate that defendants' work is a "bodily appropriation" of the television series. *See Cleary*, 30 F.3d at 1261. "Bodily appropriation" is the "copying or unauthorized use of substantially the entire item." *Id.* citing *Harper House Inc. v. Thomas Nelson, Inc.*, 889 F2d 197, 205 (9th Cir. 1989).

Defendants admit that they copied the entire *Crusade in Europe* series to create *Campaigns*. They modified *Crusade* by adding a new opening title sequence, chapter-heading sequences, credit page, music and closing. (Findings of Fact 22) They removed approximately twenty minutes of footage relating to the Book. (Findings of Fact 22) This is the sum total of changes made by defendants to the *Crusade* series in making the *Campaign* series. These minor changes are insufficient to avoid liability under the Lanham Act. *See Summit Mach. Tool Mfg Corp.*, 7 F.3d 1434,1437 (9th Cir. 1993) citing *Roho Inc. v. Marquis* 902 F.2d 356, 359 (5th Cir. 1990) ("A defendant may also be guilty of reverse

palming off by selling or offering for sale another's product that has been modified slightly and then labeled with a different name.").

The Court finds that defendants have copied substantially all of the television series. The Court also finds that defendants failure to identify the television series and the Book is misleading to the public; it gives the false impression that the series contains only the work of those listed in the credits even though the television series was produced by Fox and Time and significant portions of the Book are used verbatim.[5] The Court concludes that defendants' series is a "bodily appropriation" of the television series. Plaintiffs are entitled to summary adjudication on their claim for reverse passing off.

C. Unfair competition

Plaintiffs state that they are entitled to summary adjudication of their claim for unfair competition under California law. They state that the same facts demonstrating a violation of the Lanham Act are sufficient to demonstrate a violation of California Business & Professional Code §§ 17200 and 17500. *See Summit Technology, Inc. v. High-Line Medical Instruments Co.*, 933 F. Supp 918 (C.D. Cal. 1996) (holding that facts supporting a party's claim for reverse passing off also support claims for unfair

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[5] The Court observes that in response to one of plaintiffs' uncontroverted facts, defendants state that Anderson testified in his deposition that he put stickers stating "Contains Film Footage from the Previously Released *Crusade in Europe*" on some of the videos because he did not want a consumer to purchase the *Campaign* series if the customer had already purchased the *Crusade* series. Defendants did not provide the portion of Anderson's deposition containing this statement. Although not supported by proper evidence, this statement confirms the Court's conclusion that the two video series are similar enough to cause confusion among consumers.

competition). Because the ultimate test under both is "whether the public is likely to be deceived or confused" the Court's finding that defendants' actions are misleading under the Lanham Act controls the resolution of the unfair competition claim. *See Cleary v. News Corporation*, 30 F. 3d. 1255, 1262-63 (9th Cir. 1994) ("actions pursuant to California Business and Professions Code § 17200 are 'substantially congruent' to claims made under the Lanham Act"). Plaintiffs are entitled to summary adjudication of their claims for unfair competition under California law.

Because summary adjudication on each of plaintiffs' claims is proper, they are entitled to summary judgment.

D. Defendants' Counterclaims for Declaratory Relief and Unfair and Unfair Competition

The Court's conclusion that Doubleday's copyright in the book is valid controls the resolution of defendants' counterclaims for declaratory relief and unfair competition. The Court grants summary judgment in favor of Fox, SFM, New Line and Random House on defendants' counterclaims.

VI. Defendant's Motion for Summary Judgment or Motion to Dismiss

Defendants moved for summary judgment on plaintiffs' claims for copyright infringement, reverse passing off under the Lanham Act and unfair competition under California law. In the alternative, defendants' moved to dismiss plaintiffs claims. Both motions are based on defendants' contention that plaintiffs do not have standing.

First, defendants allege that Doubleday is not the proprietor of the copyright to the Book. Defendants argue that because Doubleday is not the proper holder of the Book's copyright, it cannot state a claim for copyright infringement. The Court's conclusion in Part V.(A). controls the resolution of this issue on defendants' motions.

Next, Defendants contend that plaintiffs do not have standing to bring a Lanham Act claim on two grounds. First, because Time Inc. registered the original *Crusade* series, defendants assert that Time is the only proper plaintiff. Second, defendants assert that because Time's registration was not renewed, the series became part of the public domain. Accordingly, defendants contend that plaintiffs cannot allege unfair competition claims resulting from defendants' use of elements of a public domain work. Again, the Court's resolution in Part V.(B). controls.

Defendants' motion for summary judgment or, in the alternative, to dismiss is denied.

VII. Conclusion

The Court grants summary judgment for plaintiffs on their claims and for the counterdefendants on the counterclaims. Defendants' motion for summary judgment and alternative motion to dismiss are denied.

IT IS SO ORDERED.

/s/ Florence-Marie Cooper
FLORENCE-MARIE COOPER
United States District Judge

January 4, 2000